KING CETSHWAYO

DISTRICT MUNICIPALITY

Annual financial statements
for the year ended 30 June 2017

GENERAL INFORMATION

Nature of business and principal activities	Municipality
Acting Accounting Officer	TF Mnguni
Deputy Municipal Manager Finance	MC Reddy
Registered office	King Cetshwayo District Municipality Krugerrand, CBD RICHARDS BAY
Business address	King Cetshwayo District Municipality Krugerrand, CBD RICHARDS BAY 3900
Postal address	Private Bag X1025 RICHARDS BAY 3900
Bankers	Nedbank Limited
Auditors	Auditor-General of South Africa
Senior Legal advisor	G Dlamini
Municipal demarcation code	DC 28

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The reports and statements set out below comprise the annual financial statements presented to the Council:

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GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
IFRS	International Financial Reporting Standards
MFMA	Municipal Finance Management Act
IDP	Integrated Development Plan
MSIG	Municipal Systems Improvement Grant
ACIP	Accelerated Infrastructure Programme
RBIG	Regional Bulk Infrastructure Grant
MIG	Municipal Infrastructure Grant
EQS	Equitable Share
WSOG	Water Services Operating Grant
EPWP	Expanded Public Works Programme
LGSETA	Local Government Sector Education Training Authority
MPAC	Municipal Public Accounts Committee
MWIG	Municipal Water Infrastructure Grant
SARS	South African Revenue Services
DWS	Department of Water Affairs and Sanitation
MSCOA	Municipal Standard Chart of Accounts
VAT	Value Added Tax
COGTA	Cooperative Governanace and Traditional Affairs
WSIG	Water Services Infrastructure Grant

STATEMENT OF MUNICIPAL MANAGER'S RESPONSIBILITY

I am responsible for the preparation of these annual financial statements, which are set out on pages 4 to 91, in terms of Section 126(1) of the Municipal Finance Management Act (Act no. 56 of 2003) and which I have signed on behalf of the municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 24 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act (Act no. 20 of 1998) and the Minister of Provincial and Local Government determination in accordance with this Act.

In the year presented, in terms of Section 12 of the Local Government: Municipal Structures Act,1998: Repeal and Replacement of establishment notice for the King Cetshwayo District Municipality (DC 28), the District municipality has changed its name from Uthungulu District Municipality to King Cetshwayo District Municipality effective from 21 July 2016.

The King Cetshwayo District Municipality, situated in the central business district, Richards Bay, is a category C municipality established in terms of Section 12(1) of the Municipal Structures Act, 1998(Act No. 117 of 1998).

As required by Section 45 of the Municipal Systems Act and Section 121(4)(a) and (b) of the Municipal Finance Management Act, the annual financial statements were submitted to the Auditor General South Africa (AGSA) on 31 August 2017.

TF Mnguni
Acting Municipal Manager

Richards Bay

31 August 2017

Statement of Financial Position as at 30 June 2017

Figures in Rand	Note(s)	2017	2016 Restated*
Assets			
Current Assets			
Inventories	2	5,730,925	8,837,164
Receivables from exchange transactions - consumer debtors	3	24,955,435	23,960,926
Receivables from exchange transactions - VAT	4	47,342,547	70,443,855
Receivables from non exchange transactions	5	40,080,082	65,472,266
Current portion of long term receivables	6	42,983	89,365
Cash and cash equivalents	7	503,357,452	422,557,325
		621,509,424	**591,360,901**
Non-Current Assets			
Property, plant and equipment	8	2,151,558,643	1,850,440,987
Intangible assets	9	3,453,344	2,081,454
Heritage assets	10	700,000	-
Investments in municipal entities	11	6,129,393	14,400,106
Investments in financial asset - shares	12	73,613	68,569
Long term receivables	6	221,524	265,134
		2,162,136,517	**1,867,256,250**
Total Assets		**2,783,645,941**	**2,458,617,151**
Liabilities			
Current Liabilities			
Current portion of long term liabilities	13	10,605,497	12,988,989
Payables from exchange transactions	14	229,861,615	196,696,530
Consumer deposits	15	10,386,568	10,138,749
Defined employee benefit obligations	16	796,000	650,000
Provisions	17	860,475	1,014,548
Unspent conditional grants and receipts	21	16,960,254	15,939,426
		269,470,409	**237,428,242**
Non-Current Liabilities			
Long term liabilities	13	44,461,655	55,067,151
Defined employee benefit obligations	16	30,043,000	26,640,000
Provisions	17	70,333,859	67,112,461
		144,838,514	**148,819,612**
Total Liabilities		**414,308,923**	**386,247,854**
Net Assets		**2,369,337,018**	**2,072,369,297**
Accumulated surplus		2,369,337,018	2,072,369,297

* See Note 40

STATEMENT OF FINANCIAL PERFORMANCE

Figures in Rand	Note(s)	2017	2016 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	18	64,841,192	62,958,216
Rental income		46,667	41,254
Interest received	19	47,703,379	40,631,838
Other income	22	9,970,029	21,227,580
Total revenue from exchange transactions		**122,561,267**	**124,858,888**
Revenue from non-exchange transactions			
Government grants & subsidies	20	866,064,203	936,238,462
Total revenue		**988,625,470**	**1,061,097,350**
Expenditure			
Employee related costs	23	(168,272,177)	(152,435,306)
Remuneration of councillors	24	(9,985,553)	(10,094,526)
Depreciation, amortisation and impairment	25	(62,352,532)	(51,578,718)
Finance costs	26	(9,125,435)	(11,251,516)
Debt impairment	5	(12,345,987)	(7,871,993)
Repairs and maintenance	27	(79,123,047)	(88,577,844)
Bulk purchases	28	(55,621,511)	(49,535,014)
Contracted services	29	(100,051,750)	(92,406,067)
Grants and donations	30	(10,635,455)	(30,109,719)
General expenses	31	(179,946,095)	(228,620,970)
Total expenditure		**(687,459,542)**	**(722,481,673)**
Operating surplus		**301,165,928**	**338,615,677**
(Loss)/gain on disposal of property, plant and equipment		65,566	(632,302)
Fair value adjustments	12	5,044	(6,793)
Inventories losses/written down		(4,268,825)	(13,735)
Surplus for the year		**296,967,713**	**337,962,847**

* See Note 40

STATEMENT OF CHANGES IN NET ASSETS

Figures in Rand	Accumulated surplus	Total net assets
Opening balance previously reported as at 1 July 2015	1,733,645,614	1,733,645,614
Adjustment for investment in financial asset - shares	75,362	75,362
Adjustment for prior year depreciation	(307,058)	(307,058)
Adjustment for depreciation pertaining to fully depreciated assets	992,530	992,530
Balance as at 01 July 2015 restated - Refer to note 40	**1,734,406,450**	**1,734,406,450**
Changes in net assets		
Surplus for the year restated - Refer to note 40	337,962,847	337,962,847
Total changes	337,962,847	337,962,847
Balance as at 01 July 2016 restated - Refer to note 40	**2,072,369,305**	**2,072,369,305**
Changes in net assets		
Surplus for the period	296,967,713	296,967,713
Total changes	296,967,713	296,967,713
Balance at 30 June 2017	**2,369,337,018**	**2,369,337,018**

CASH FLOW STATEMENT

Figures in Rand	Note(s)	2017	2016 Restated*
Cash flows from operating activities			
Receipts			
Receipts from consumers and other		58,442,405	89,800,814
Grants		895,552,203	901,490,300
Interest income		47,703,379	40,631,838
		1,001,697,987	1,031,922,952
Payments			
Employee costs	23 & 24	(178,257,729)	(162,529,832)
Suppliers		(420,361,819)	(526,149,444)
Finance costs		(9,125,435)	(11,251,516)
		(607,744,983)	(699,930,792)
Net cash flows from operating activities	32	**393,953,004**	**331,992,160**
Cash flows from investing activities			
Payment for property, plant and equipment		(308,011,205)	(334,562,645)
Insurance proceeds and proceeds from the sale of property, plant and equipment		186,611	944,575
Purchases of heritage assets	10	(700,000)	-
Decrease in non-current receivables		89,992	35,824
Distribution of capital received from municipal entities		8,270,713	5,366,824
Net cash flows from investing activities		**(300,163,889)**	**(328,215,422)**
Cash flows from financing activities			
Repayment of long term liabilities		(12,988,988)	(9,528,740)
Net cash flows from financing activities		**(12,988,988)**	**(9,528,740)**
Net increase/(decrease) in cash and cash equivalents		**80,800,127**	**(5,752,002)**
Cash and cash equivalents at the beginning of the period		422,557,325	428,309,327
Cash and cash equivalents at the end of the year	7	**503,357,452**	**422,557,325**

* See Note 40

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	75,833,679	(9,669,840)	**66,163,839**	64,841,192	**(1,322,647)**	
Rental income	50,000	-	**50,000**	46,667	**(3,333)**	
Interest received	37,489,376	4,207,434	**41,696,810**	47,703,379	**6,006,569**	41.1
Other income	11,664,159	3,659,331	**15,323,490**	9,970,029	**(5,353,461)**	41.2
Total revenue from exchange transactions	**125,037,214**	**(1,803,075)**	**123,234,139**	**122,561,267**	**(672,872)**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	905,704,000	(840,784)	**904,863,216**	866,064,203	**(38,799,013)**	
Contributions recognised - capital	6,000,000	(6,000,000)	**-**	-	**-**	
Total revenue from non-exchange transactions	**911,704,000**	**(6,840,784)**	**904,863,216**	**866,064,203**	**(38,799,013)**	
Total revenue	**1,036,741,214**	**(8,643,859)**	**1,028,097,355**	**988,625,470**	**(39,471,885)**	
Expenditure						
Employee related costs	(190,457,621)	16,560,073	**(173,897,548)**	(168,272,177)	**5,625,371**	
Remuneration of councillors	(11,411,487)	-	**(11,411,487)**	(9,985,553)	**1,425,934**	41.3
Depreciation, amortisation and impairment	(63,999,944)	(12,060,850)	**(76,060,794)**	(62,352,532)	**13,708,262**	41.4
Finance costs	(17,447,136)	-	**(17,447,136)**	(9,125,435)	**8,321,701**	41.5
Debt impairment	(3,833,813)	(8,687,922)	**(12,521,735)**	(12,345,987)	**175,748**	
Repairs and maintenance	(69,582,384)	(10,318,809)	**(79,901,193)**	(79,123,047)	**778,146**	
Bulk purchases	(49,762,267)	(6,350,218)	**(56,112,485)**	(55,621,511)	**490,974**	
Contracted services	(91,851,802)	(17,301,009)	**(109,152,811)**	(100,051,750)	**9,101,061**	
Grants and donations	(5,000,000)	(5,635,456)	**(10,635,456)**	(10,635,455)	**1**	
General expenses	(166,137,373)	(37,676,489)	**(203,813,862)**	(179,946,095)	**23,867,767**	41.6
Total expenditure	**(669,483,827)**	**(81,470,680)**	**(750,954,507)**	**(687,459,542)**	**63,494,965**	
Operating surplus/(loss)	**367,257,387**	**(90,114,539)**	**277,142,848**	**301,165,928**	**24,023,080**	
(Loss)/gain on disposal of property, plant and equipment	-	-	**-**	65,566	**65,566**	
Fair value adjustments	-	-	**-**	5,044	**5,044**	
Inventories losses/written down	-	-	**-**	(4,268,825)	**(4,268,825)**	41.4
	-	**-**	**-**	**(4,198,215)**	**(4,198,215)**	
Surplus	**367,257,387**	**(90,114,539)**	**277,142,848**	**296,967,713**	**19,824,865**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**367,257,387**	**(90,114,539)**	**277,142,848**	**296,967,713**	**19,824,865**	

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	9,884,153	-	**9,884,153**	5,730,925	**(4,153,228)**	41.7
Receivables from exchange transactions - consumer debtors	22,970,610	-	**22,970,610**	24,955,435	**1,984,825**	
Receivables from exchange transactions - VAT	-	-	**-**	47,342,547	**47,342,547**	41.8
Receivables from non exchange transactions	27,082,101	-	**27,082,101**	40,080,082	**12,997,981**	41.9
Current portion of long term receivables	41,330	-	**41,330**	42,983	**1,653**	
Cash and cash equivalents	309,350,000	-	**309,350,000**	503,357,452	**194,007,452**	41.10
	369,328,194	**-**	**369,328,194**	**621,509,424**	**252,181,230**	
Non-Current Assets						
Property, plant and equipment	2,848,431,102	(2,227,663)	**2,846,203,439**	2,151,558,643	**(694,644,796)**	41.11
Intangible assets	2,194,449	492,064	**2,686,513**	3,453,344	**766,831**	41.11
Heritage assets	-	-	**-**	700,000	**700,000**	41.11
Investments in municipal entities	6,078,977	-	**6,078,977**	6,129,393	**50,416**	
Investments in financial asset - shares	-	-	**-**	73,613	**73,613**	
Long term receivables	266,290	-	**266,290**	221,524	**(44,766)**	
	2,856,970,818	**(1,735,599)**	**2,855,235,219**	**2,162,136,517**	**(693,098,702)**	
Total Assets	**3,226,299,012**	**(1,735,599)**	**3,224,563,413**	**2,783,645,941**	**(440,917,472)**	
Liabilities						
Current Liabilities						
Current portion of long term liabilities	11,047,469	-	**11,047,469**	10,605,497	**(441,972)**	
Payables from exchange transactions	113,242,564	-	**113,242,564**	229,861,615	**116,619,051**	41.12
Consumer deposits	10,473,100	-	**10,473,100**	10,386,568	**(86,532)**	
Defined employee benefit obligations	-	-	**-**	796,000	**796,000**	41.13
Provisions	1,554,580	-	**1,554,580**	860,475	**(694,105)**	41.14
Unspent conditional grants and receipts	-	-	**-**	16,960,254	**16,960,254**	41.15
	136,317,713	**-**	**136,317,713**	**269,470,409**	**133,152,696**	
Non-Current Liabilities						
Long term liabilities	44,019,683	-	**44,019,683**	44,461,655	**441,972**	
Defined employee benefit obligations	26,697,860	-	**26,697,860**	30,043,000	**3,345,140**	41.13
Provisions	76,249,839	-	**76,249,839**	70,333,859	**(5,915,980)**	
	146,967,382	**-**	**146,967,382**	**144,838,514**	**(2,128,868)**	
Total Liabilities	**283,285,095**	**-**	**283,285,095**	**414,308,923**	**131,023,828**	
Net Assets	**2,943,013,917**	**(1,735,599)**	**2,941,278,318**	**2,369,337,018**	**(571,941,300)**	
Reserves						
Accumulated surplus	2,943,013,917	(1,735,599)	**2,941,278,318**	2,369,337,018	**(571,941,300)**	

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Receipts from consumers and other	68,250,311	(9,669,840)	**58,580,471**	48,472,376	**(10,108,095)**	41.16
Grants	911,704,000	(6,868,784)	**904,835,216**	895,552,203	**(9,283,013)**	
Interest income	37,489,376	6,217,813	**43,707,189**	47,703,379	**3,996,190**	
Other cash item	11,714,159	29,145,198	**40,859,357**	9,970,029	**(30,889,328)**	41.16
	1,029,157,846	**18,824,387**	**1,047,982,233**	**1,001,697,987**	**(46,284,246)**	
Payments						
Employee costs	(190,458,620)	8,203,446	**(182,255,174)**	(178,257,729)	**3,997,445**	
Suppliers	(388,744,313)	(64,146,313)	**(452,890,626)**	(409,726,373)	**43,164,253**	
Finance costs	(17,447,136)	-	**(17,447,136)**	(9,125,435)	**8,321,701**	41.5
Transfers and grants	(5,000,000)	(4,779,036)	**(9,779,036)**	(10,635,455)	**(856,419)**	
	(601,650,069)	**(60,721,903)**	**(662,371,972)**	**(607,744,992)**	**54,626,980**	
Net cash flows from operating activities	**427,507,777**	**(41,897,516)**	**385,610,261**	**393,952,995**	**8,342,734**	
Cash flows from investing activities						
Payment for property, plant, equipment	(466,192,495)	1,735,599	**(464,456,896)**	(308,011,205)	**156,445,691**	41.17
Insurance proceeds and proceeds from the sale of property, plant and equipment	-	-	**-**	186,611	**186,611**	
Purchases of heritage assets	-	-	**-**	(700,000)	**(700,000)**	41.17
Decrease in non-current receivables	47,000	-	**47,000**	89,992	**42,992**	
Distribution of capital received from municipal entities	8,293,000	-	**8,293,000**	8,270,713	**(22,287)**	
Net cash flows from investing activities	**(457,852,495)**	**1,735,599**	**(456,116,896)**	**(300,163,889)**	**155,953,007**	
Cash flows from financing activities						
Repayment of long-term liabilities	(12,988,988)	-	**(12,988,988)**	(12,988,988)	**-**	
Increase/(Decrease) in consumer deposits	952,000	-	**952,000**	-	**(952,000)**	41.18
Net cash flows from financing activities	**(12,036,988)**	**-**	**(12,036,988)**	**(12,988,988)**	**(952,000)**	
Net increase/(decrease) in cash and cash equivalents	(42,381,706)	(40,161,917)	**(82,543,623)**	80,800,118	**163,343,741**	
Cash and cash equivalents at the beginning of the year	345,808,000	76,749,325	**422,557,325**	422,557,325	**-**	
Cash and cash equivalents at the end of the year	**303,426,294**	**36,587,408**	**340,013,702**	**503,357,443**	**163,343,741**	

ACCOUNTING POLICIES

1. Presentation of annual financial statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand and the figures in the statements have been rounded to the nearest rand.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied, to all the years, in the preparation of these annual financial statements, are disclosed below.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

1.1.1 Provisions

Management determined an estimate for provisions raised based on the information available. Additional disclosure of these estimates of provisions are included in note 17 - Current and Non - Current Provisions.

1.1.2 Useful lives of property, plant, equipment and intangible assets

As described in accounting policies 1.6 & 1.8 the municipality depreciates/amortises its property, plant and equipment and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets become available for use. The useful lives and residual values of the assets are based on industry knowledge and are reviewed annually.

1.1.3 Defined benefit plan liabilities

As described in accounting policy 1.4, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are post retirement health benefit obligations and long service awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25.
Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in note 16 to the financial statements.

1.1.4 Revenue recognition

Accounting policy 1.14 on Revenue from Exchange Transactions and accounting policy 1.15 on Revenue from Non - Exchange Transactions describes the conditions under which revenue is recorded by the management of the municipality. In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9 Revenue from Exchange Transactions and GRAP 23 Revenue from Non Exchange Transactions and in particular, whether the service has been rendered. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.1.5 Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is outlined in1.3 below.

1.2 New standards and interpretations

Changes in accounting policies that are effected by management are applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of a change in policy. In such cases, the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

The following GRAP standards are effective from 1 April 2016, however not relevant to the municipality

GRAP 105 - Transfers of functions between entities under common control

The objective of this standard of GRAP is to establish accounting principles for the acquirer and transferor in a transfer of functions between municipalities/entities under common control.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving a municipality's objectives, either by providing economic benefits or service potential.
A transfer of functions is the reorganisation and/or the re-allocation of functions between entities by transferring functions between entities or into another municipality. A transferor is the municipality that relinquishes control of a function.
For a transaction or event to occur between entities under common control, the transaction or event needs to be undertaken between entities within the same sphere of government or between entities that are part of the same economic entity. Entities that are ultimately controlled by the same entity before and after the transfer of functions are within the same economic entity.

This standard is currently not relevant to the municipality as no functions have been transferred between entities under common control.

GRAP 106 - Transfers of functions between entities not under common control

The objective of this standard of GRAP is to establish accounting principles for the acquirer in a transfer of functions between municipalities/entities not under common control.

A transfer of functions is the reorganisation and/or the re-allocation of functions between entities by transferring functions between entities or into another entity.

Control for accounting purposes is defined in the Standard of GRAP on Consolidated and Separate Financial Statements as: "The power to govern the financing and operating policies of an entity so as to obtain benefit from its activities". The key consideration in determining whether or not control exists for accounting purposes is that an entity must be able to demonstrate both that it has certain decision-making capabilities over another, and that it benefits from the activities of that entity.

The effect of applying this standard will be on the measurement of transferred assets and liabilities at fair value.

This standard is currently not relevant to the municipality as no functions have been transferred between entities not under common control.

GRAP 107 - Mergers

The objective of this standard of GRAP is to establish accounting principles for the combined municipality and combining municipalities in a merger.

A merger is the establishment of a new combined municipality in which none of the former entities obtains control over any other and no acquirer can be identified. As no acquirer can be identified, a merger does not result in a municipality having or obtaining control over any of the entities that are involved in the transaction or event, as the combining entities are not controlled entities of each other, either before or after the merger.

This standard deals with the requirements for accounting for a merger, and is currently not relevant to the

1.2 New standards and interpretations (continued)

municipality as there is no foreseeable indication that a merger with another municipality will take place.

Directives issued and effective

Directive 11: Changes in measurement basis following the initial adoption of the standards of GRAP.

This directive allows a change in accounting policy on a once off basis to the cost model from the revaluation or fair value model initially adopted. The directive will not have a material impact on the municipality's financial statements as the cost model was adopted from inception.

Interpretations of the standards of GRAP

IGRAP 11: Consolidations - Special Purpose Entities (SPE)

The interpretation deals with the issue of circumstances under which an entity should consolidate an SPE. It is unlikely that the interpretation will have a material impact on the municipality's financial statements.

IGRAP 12: Jointly Controlled Entities (JCE)

This interpretation of the standards of GRAP deals with a venturer's accounting for non-monetary contributions to a JCE in exchange for an interest in the net assets in the JCE that is accounted for using either the equity method or proportionate consolidation. It is unlikely that the standard will have a material impact on the municipality's financial statements.

The following new GRAP standards have been approved but are not yet effective

GRAP 20 - Related party disclosure

This standard of GRAP on related parties replace's the IPSAS 20 standard on related party disclosure. No significant impact on the financial statements of the Municipality is expected.

GRAP 32 - Service concession arrangements: Grantor

This standard of GRAP is to prescribe the accounting for service concession arrangements by the grantor, a public sector entity. A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time and the operator is compensated for its services over the period of the service concession arrangement. Although unlikely at this stage, the standard is only expected to have an impact on the Municipality in the event of any future such arrangements.

GRAP 108 - Statutory receivables

This standard deals with the prescribed accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables and the effect thereof.

GRAP 109 - Accounting by principles and agents

This standard deals with the prescribed accounting requirements for transactions in a principle and agent relationship.

1.2 New standards and interpretations (continued)

The following approved standards of GRAP that entities are not required to apply

GRAP 18 - Segmental reporting (only municipalities and municipal entities are not required to apply)

Compliance with this standard would have had an effect on the presentation only. Financial information would have been reported by segments.
The disclosure of this information will assist users of the financial statements to better understand the municipality's historical performance and to identify the resources allocated to support the major activities of the municipality.

1.3 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is derecognised when the rights to receive cash flows from the asset have expired or the municipality have transferred its right to receive cash flows from the asset. A financial liabilities is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and recognition of a new liability. Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

1.3 Financial instruments (continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that arises from a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

1.3 Financial instruments (continued)

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- combined instruments that are designated at fair value.

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the Statement of Financial Position or in the notes thereto:

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Finance lease receivables	Financial asset measured at amortised cost
Long term receivables	Financial asset measured at amortised cost
Accounts receivable from exchange transactions	Financial asset measured at amortised cost
Accounts receivable from non exchange transactions	Financial asset measured at amortised cost
Short term investment deposits	Financial asset measured at amortised cost
Investment in fixed deposits	Financial asset measured at amortised cost
Investment in municipal entities	Financial asset measured at amortised cost
Investment in financial asset shares	Financial asset measured at fair value

The municipality has the following types of financial liabilities (classes and category) as reflected on the statement of financial position or in the notes thereto:

Class	Category
Long term liabilities	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Bank overdraft	Financial liability measured at amortised cost
Short term loans	Financial liability measured at amortised cost
Current portion of long term liabilities	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs are added to financial instruments carried at amortised cost or cost.

1.3 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following category:

- Financial instruments at amortised cost.

Impairment and uncollectibility of financial assets

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly or by adjusting the allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Investment in municipal entities

In the municipality's annual financial statements, investments in the municipal entities are carried at amortised cost at reporting date.

1.4 Employee benefits

1.4.1 Short-term employee benefits

Remuneration to employees is recognised in the statement of financial performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The municipality has opted to treat its provision for leave pay as an accrual, included under current liabilities.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is included in payables from exchange transactions.

1.4.2 Defined contribution plans

A defined contribution plan is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those funds. Contributions are recognised in the statement of financial performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid.

1.4 Employee benefits (continued)

1.4.3 Defined benefit plans

A defined benefit plan is a post- employment benefit plan other than a defined contribution plan.

Post-retirement health care benefits

The municipality has an obligation to provide post-retirement health care benefits to certain of its retirees. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the medical aid fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

Long-service allowance

The municipality has an obligation to provide long-service allowance benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25, 30, 35, 40 and 45 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method is used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

Defined benefit plans

The municipality contributes to various defined benefit plans on behalf of its qualifying employees. These funds are multi-employer funds (refer to Note 16 of the Annual Financial Statements for details). The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the discounted cash method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

These contributions are recognised in the statement of financial performance when employees have rendered the service entitling them to the contribution.

1.5 Provisions

Provisions are recognised when:

- the municipality has a present legal and constructive obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate of future outflow of resources. Provisions are derecognised if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

A provision is used only for expenditures for which the provision was originally recognised.

Provision for the rehabilitation of the refuse landfill site is determined at best estimate by consulting engineers.

1.6 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of water, sanitation services and rental to others, or for administrative purposes, and are expected to be used during more than one financial period.

Initial recognition

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially recognised at cost on it's acquisition date or in the case of assets acquired at nil or nominal consideration the deemed cost, being the fair value of the assets at acquisition date.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment for purposes of depreciation.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service the asset are recognised in the carrying amount of the related asset if the recognition criteria are met. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by the municipality.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment. Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Subsequent measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic fair value of the subsequent expenditure can be reliably measured.

Subsequent expenditure incurred on a asset is only capitalised when it increases the capacity for future economic benefits associated with the asset.

Where the municipality replaces part of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

1.6 Property, plant and equipment (continued)

Subsequent measurement of all property, plant and equipment are measured at cost, less accumulated depreciation and any accumulated impairment losses. The municipality does not recognise in the carrying amount of an item of property, plant and equipment the cost of day to day servicing of the item.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when compensation becomes receivable.

Depreciation

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Land, with the exception of landfill sites and cemetery, is not depreciated as it is regarded as having an infinite life. If the cost of the land includes the cost of site dismantlement, removal and restoration, that portion of the land asset is depreciated over the period of benefits or service potential, obtained by incurring those costs. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost to their residual values over the estimated useful lives of the asset. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

1.6 Property, plant and equipment (continued)

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Buildings	Straight line	30 years
• Other buildings		30 years
• Permanent		
Plant and Equipment	Straight line	
• Weed eater		2 years
• Lawn mower		2 years
• Other		5 years
• Skid mounted fire response unit		15 years
Furniture	Straight line	10 years
Computer equipment	Straight line	5 years
Infrastructure - plant and equipment	Straight line	
• Heavy duty infrastructure pumps		15 years
• Unspecified infrastructure assets		15 years
• Standby generator sets - water sewerage camps		15 years
Infrastructure - sewage services	Straight line	
• Sewerage containment		50 years
• Sewerage network		50 years
• Sewerage purification		50 years
Infrastructure - solid waste cell services	Straight line	
• Solid waste cell		15 years
• Cemetery		15 years
Infrastructure water services	Straight line	
• Small schemes		20 years
• Water abstraction		20 years
• Water network		20 years
• Water purification		20 years
• Water storage		50 years
Equipment	Straight line	
• Office equipment		5 years
Motor vehicles	Straight line	
• Bakkie, LDV, Sedan and tanker		7 years
• Truck		7 years
• Trailer and caravan		5 years
• Forklift		5 years
• Tractors		15 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

1.6 Property, plant and equipment (continued)

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 27).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 8).

1.7 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Impairment

Heritage assets are not depreciated but the municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Heritage assets which are shown at cost, are not depreciated due to the uncertainty regarding their estimated useful lives, as reflected below:

Item	Useful life
Memorial and statues	Indefinite life

1.7 Heritage assets (continued)

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises a heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset should be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the item is derecognised.

1.8 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

Initial recognition

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost shall be measured at its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Subsequent measurement, amortisation and impairment

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

1.8 Intangible assets (continued)

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	3 years

Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.9 Investments in financial asset - shares

An investment in a financial asset - shares is carried at fair value at each reporting date.

The municipality recognises a dividend or similar distribution in surplus or deficit in its separate annual financial statements when its right to receive the dividend or similar distribution is established.

1.10 Impairment of non-cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when an asset is deployed in a manner consistent with that adopted by a profit-oriented entity.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is the period of time over which an asset is expected to be used by the municipality.

1.10 Impairment of non-cash-generating assets (continued)

Identification of impairment

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset is tested for impairment before the end of the current reporting period.

1.11 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

1.11.1 Finance leases - The municipality as a lessee

Finance leases are recognised as assets and liabilities in the Statement of Financial Position at amounts equal to the fair value of the leased property or, if lower, the present value of the future minimum lease payments. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation.

The discount rate used in calculating the present value of the future minimum lease payments is the interest rate implicit in the lease.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of the remaining balance of the liability.

1.11.2 Operating leases - The municipality as a lessee

Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Financial Performance on a straight line basis over the period of the lease.

1.12 Inventories

Inventories comprise of current assets held for consumption or distribution during the ordinary course of business.

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and, net realisable value or current replacement cost.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

1.12 Inventories (continued)

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, is recognised as a reduction in the amount of inventories recognised as an expense in the statement of financial performance in the period in which the reversal occurs.

1.13 Tax

Tax Expense:

The municipality is exempt from income tax in terms of section 10(1)(A) of the Income Tax Act.

Value-Added Tax (VAT):

The municipality accounts for VAT on the accrual basis, based on the approval received from the Commissioner for South African Revenue Services to an application by the Municipality, permission has been given to remit or claim for value - added tax on the payments basis for debtors and creditors.

1.14 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and rebates.

1.14 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Service charges relating to water are based on consumption. Meters are read on a monthly basis and when the meter is not read provisional estimates are made and based on those readings the revenue is invoiced monthly and recognised. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Service charges relating to refuse are recognised on a monthly basis in arrears and on an accrual basis by applying the approved tariff to each consumer that makes use of the landfill site.

Service charges from sanitation are raised on a monthly basis in accordance with the approved tariffs.

Interest and rentals are recognised on a time proportion basis.

1.15 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by the municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, the municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes. Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,

1.15 Revenue from non-exchange transactions (continued)

- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any conditions associated with the grant.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property plant and equipment, when such items are brought into use. Where public contributions have been received but the municipality has not met the conditions, a liability is recognised.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

1.16 Grants in aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time.

When making these transfers, the municipality does not:
- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

1.17 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value or replacement cost, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets. In certain circumstances, the amount of the write- down or write-off is written back in accordance with the same accounting policy.

1.17 Borrowing costs (continued)

Capitalisation is suspended during extended periods in which active development is suspended.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

When the municipality completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the municipality ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.18 Budget information

Municipalities are typically subject to budgetary limits in the form of appropriations or budget authorisation's (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipalities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts. Refer to note 41.

1.19 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (No. 56 of 2003). All unauthorised expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.20 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All fruitless and wasteful expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.21 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

ACCOUNTING POLICIES

1.22 Commitments

Items are classified as commitments where the municipality commits itself to future transactions that will result in the future outflow of resources. Capital commitments are not recognised in the statement of Financial Position as a liability but are included in the disclosure note 33, for approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date.

1.23 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed. The municipality applies GRAP 20 for related parties.

1.24 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.25 Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

1.26 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.27 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

Figures in Rand	2017	2016
2. Inventories		
Consumable and maintenance materials	8,522,753	7,474,179
Water	1,476,997	1,362,985
	9,999,750	8,837,164
Inventories (written-down)	(4,268,825)	-
	5,730,925	**8,837,164**
Inventories recognised as an expense during the year	3,587,083	2,764,786

Conventional water meter inventory with a cost of R4 268 825 has been written down to the net realisable value of nil in the financial year. The write off identified by management was as a result of due consideration to the municipalities strategy regarding smart metering systems incorporating prepaid technology.

Inventory pledged as security

No inventory was pledged as security.

3. Receivables from exchange transactions - consumer debtors		
Consumer debtors - Gross balances		
Water	52,874,427	56,086,270
Solid waste	2,743,787	2,473,836
Sanitation	8,195,324	7,023,947
	63,813,538	**65,584,053**
Less: Allowance for impairment		
Water	(32,418,463)	(36,146,813)
Solid waste	(382,841)	(331,873)
Sanitation	(6,056,799)	(5,144,441)
	(38,858,103)	**(41,623,127)**
Net balance		
Water	20,455,964	19,939,457
Solid waste	2,360,946	2,141,963
Sanitation	2,138,525	1,879,506
	24,955,435	**23,960,926**
Summary of debtors by service type		
Water		
Current (0 -30 days)	6,024,025	6,383,827
31 - 60 days	2,317,753	2,374,891
61 - 90 days	1,610,517	1,246,969
91 - 120 days	1,382,457	1,437,219
> 121 days	41,539,675	44,643,364
Less: Allowance for impairment	(32,418,463)	(36,146,813)
	20,455,964	**19,939,457**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2017	2016

3. Receivables from exchange transactions - consumer debtors (continued)

Solid waste		
Current (0 -30 days)	1,829,038	1,412,052
31 - 60 days	202,861	454,617
61 - 90 days	214,837	37,511
91 - 120 days	75,348	12,421
> 121 days	421,703	557,235
Less: Allowance for impairment	(382,841)	(331,873)
	2,360,946	**2,141,963**
Sanitation		
Current (0 -30 days)	618,430	562,344
31 - 60 days	314,318	260,687
61 - 90 days	230,466	187,810
91 - 120 days	220,309	154,438
> 121 days	6,811,801	5,858,668
Less: Allowance for impairment	(6,056,799)	(5,144,441)
	2,138,525	**1,879,506**

Summary of debtors by customer classification

Domestic Consumers		
Current (0 -30 days)	2,322,736	4,334,637
31 - 60 days	1,581,367	2,188,365
61 - 90 days	1,274,967	1,118,087
91 - 120 days	1,333,408	1,404,652
> 121 days	43,428,436	46,983,627
	49,940,914	56,029,368
Less: Allowance for impairment	(38,475,263)	(41,318,327)
	11,465,651	**14,711,041**
Industrial/Commercial		
Current (0 -30 days)	4,111,490	2,542,450
31 - 60 days	497,222	323,582
61 - 90 days	316,235	88,411
91 - 120 days	189,017	64,265
> 121 days	2,782,451	1,934,184
	7,896,415	4,952,892
Less: Allowance for impairment	(382,840)	(304,804)
	7,513,575	**4,648,088**
National and Provincial government		
Current (0 -30 days)	2,037,256	1,481,135
31 - 60 days	756,343	578,248
61 - 90 days	464,618	265,792
91 - 120 days	155,689	135,161
> 121 days	2,562,292	2,141,456
	5,976,198	**4,601,792**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2017	2016

3. Receivables from exchange transactions - consumer debtors (continued)

Total		
Current (0-30 days)	8,471,493	8,358,223
31 - 60 days	2,834,932	3,090,195
61 - 90 days	2,055,820	1,472,290
91 - 120 days	1,678,114	1,604,078
>121 days	48,773,179	51,059,267
Less: Allowance for impairment	(38,858,103)	(41,623,127)
	24,955,435	**23,960,926**
Less: Allowance for impairment		
Current (0 -30 days)	(1,665,572)	(1,934,763)
31 - 60 days	(872,569)	(848,211)
61 - 90 days	(930,389)	(1,117,469)
91 - 120 days	(783,288)	(1,072,899)
> 121 days	(34,606,285)	(36,649,785)
	(38,858,103)	**(41,623,127)**
Reconciliation of allowance for impairment		
Balance at beginning of the year	(41,623,127)	(35,604,715)
Contributions to allowance	(8,390,418)	(7,871,989)
Debt impairment written off against allowance	11,155,442	1,853,577
	(38,858,103)	**(41,623,127)**

In the determination of the amounts deemed to be impaired at financial year end, an analysis of each debtor is undertaken. The debtors are classified into one of three categories.

Category A Regular payers, government accounts, consumers with amounts owing not older than 60 days.

Category B Irregular payers.

Category C Indigent customers, customers with debts older than 60 days with no payments made within the last 6 months and inactive accounts.

The value of the provision is determined for the detailed categories as follows:

Category A 0% of consumer's total debt
Category B 50% of consumer's debt less or equal to 180 days
100% of consumer's debt > than 180 days
Category C 100% of consumer's total debt

4. Receivables from exchange transaction - VAT

VAT receivable	**47,342,547**	**70,443,855**

Refer to note 37 for full disclosure.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2017	2016

5. Receivables from non exchange transactions

Employee, councillor account transactions	411,492	495,735
Deposits	7,155,320	7,136,413
Grant debtors	23,734,145	52,201,316
uMhlathuze municipality	1,212,559	-
Payments in advance	3,062,988	3,237,703
Investment interest accrual	4,503,579	2,401,099
	40,080,082	**65,472,266**

2016/2017

Grant debtors - Grant debtors were raised for the Department of Water and Sanitation and Municipal Infrastructure Grant amounting to R16 946 704 and R6 787 441 respectively. Refer to note 20.

uMhlathuze municipality - A debtor amounting to R1 212 559 was raised as a result of the Ntambanana disestablishment and section 12 split notice. Refer to note 45.

2015/2016

Grant debtors - Grant debtors were raised for the Department of Water and Sanitation and Municipal Infrastructure Grant amounting to R33 007 696 and R19 193 620 respectively, amongst others, which were received in the 2016/2017 period under review.

Debt impairment - exchange and non exchange transactions

As at 30 June 2017, the total debt impairment as recognised in the statement of financial performance for receivables from exchange and non exchange transactions amounted to R12 345 987.

In 2014/2015 the debtor for uMhlathuze municipality was fully impaired at R4 869 359. In the 2016/2017 year an amount of R913 790 was recovered and the impairment reversed. The remaining amount of R3 955 569 has been written off in the year.

Debt impairment - receivables from exchange transactions	8,390,418	7,871,993
Debt impairment - receivables from non exchange transactions	3,955,569	-
	12,345,987	**7,871,993**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2017	2016

6. Long term receivables

Staff home loans	221,524	265,134
Current portion of long term receivables	**42,983**	**89,365**
Non-current long term receivables	**221,524**	**265,134**
	264,507	354,499

Staff home loans

Housing loans were granted to qualifying staff prior to 1 July 2004. These loans attract interest per the fringe benefit interest rate as determined by the South African Revenue Services annually. These loans will be repayable in accordance with the home loan agreements. In the 2015/2016 financial year a staff member had left the municipality and the full outstanding loan amounting to R50 796 was settled by the pension fund (NJMPF) on 30 August 2016.

7. Cash and cash equivalents

Cash and cash equivalents consist of:		
Cash on hand	3,800	3,800
Cash book balances	198,353,652	82,553,525
Call Investment deposits	305,000,000	340,000,000
	503,357,452	**422,557,325**

Call Investment deposits portfolio is detailed below:

Financial Institution	Maturity Date	Investment
NEDBANK	26/07/2017	R 70 000 000
NEDBANK	01/08/2017	R 20 000 000
STANDARD	Call	R 20 000 000
STANDARD	03/07/2017	R 15 000 000
INVESTEC	13/07/2017	R 50 000 000
INVESTEC	24/07/2017	R 25 000 000
INVESTEC	22/08/2017	R 25 000 000
INVESTEC	29/08/2017	R 40 000 000
INVESTEC	28/09/2017	R 40 000 000
		R 305 000 000

An average interest rate of 7.78% (2016 - 7.53%) was received on investments placed for the financial year. The detailed investment register is available at the registered office of the municipality.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

7. Cash and cash equivalents (continued)

The municipality has the following bank accounts

Account description/number	Bank statement balances			Cash book balances		
	30 June 2017 R	30 June 2016 R	30 June 2015 R	30 June 2017 R	30 June 2016 R	30 June 2015 R
NEDBANK - Primary Account Account No. 145 408 8885	141,689,390	93,170,349	119,500,691	141,660,059	93,130,177	119,463,892
Other accounts						
NEDBANK - Account No. 145 408 8893	1,468,723	2,319,220	2,142,699	1,208,083	2,166,735	1,692,115
NEDBANK - Account No. 145 408 9016	55,485,510	2,514,756	-	55,485,510	(12,764,216)	(43,140,539)
NEDBANK - Account No. 145 408 8907	-	12,028	13,360	-	12,028	13,360
NEDBANK - Account No. 145 409 4141	-	8,801	276,699	-	8,801	276,699
Total	**198,643,623**	**98,025,154**	**121,933,449**	**198,353,652**	**82,553,525**	**78,305,527**

In the financial year the following bank accounts have been closed due to operational reasons, Account numbers 145 408 8907 and 145 409 4141.

Detailed bank reconciliations in support of cash book balances are available at the registered office of the municipality.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

8. Property, plant and equipment

	2017			2016		
	Cost	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Buildings	68,842,013	(19,326,896)	49,515,117	68,266,776	(17,004,679)	51,262,097
Land	12,413,300	-	12,413,300	12,413,300	-	12,413,300
Infrastructure under construction	950,629,425	-	950,629,425	731,298,426	-	731,298,426
Infrastructure	1,511,573,967	(390,836,143)	1,120,737,824	1,379,186,977	(338,576,190)	1,040,610,787
Other assets - assets under construction	914,080	-	914,080	1,291,772	-	1,291,772
Other assets	41,202,645	(23,853,748)	17,348,897	33,718,273	(20,153,668)	13,564,605
Total	**2,585,575,430**	**(434,016,787)**	**2,151,558,643**	**2,226,175,524**	**(375,734,537)**	**1,850,440,987**

Reconciliation of property, plant and equipment - June 2017

	Opening carrying value	**Additions**	**Disposals**	**Transfers**	**Donations**	**Depreciation**	**Total**
Buildings	51,262,097	-	-	575,238	-	(2,322,218)	49,515,117
Land	12,413,300	-	-	-	-	-	12,413,300
Infrastructure under construction	731,298,426	360,478,663	-	(141,147,664)	-	-	950,629,425
Infrastructure	1,040,610,787	-	-	141,144,233	(5,624,601)	(55,392,595)	1,120,737,824
Other assets - assets under construction	1,291,772	194,115	-	(571,807)	-	-	914,080
Other assets	13,564,605	8,104,048	(121,046)	-	(10,854)	(4,187,856)	17,348,897
	1,850,440,987	**368,776,826**	**(121,046)**	**-**	**(5,635,455)**	**(61,902,669)**	**2,151,558,643**

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - June 2016 restated

	Opening carrying value	Additions	Disposals	Transfers	Donations	Depreciation	Total
Buildings	46,914,533	12,164,676	-	6,463,814	(11,982,484)	(2,298,442)	51,262,097
Land	12,413,300	-	-	-	-	-	12,413,300
Infrastructure under construction	603,212,317	373,905,050	-	(245,818,941)	-	-	731,298,426
Infrastructure	837,779,719	1,115,391	(148,489)	246,644,114	-	(44,779,948)	1,040,610,787
Other assets - assets under construction	8,168,983	411,776	-	(7,288,987)	-	-	1,291,772
Other assets	16,576,805	2,924,980	(1,428,387)	-	(324,143)	(4,184,650)	13,564,605
	1,525,065,657	**390,521,873**	**(1,576,876)**	**-**	**(12,306,627)**	**(51,263,040)**	**1,850,440,987**

8. Property, plant and equipment (continued)

A register containing the information required by section 63 of the Municipal Finance Management Act (No. 56 of 2003) is available for inspection at the registered office of the municipality.

No assets have been pledged as security nor have any restrictions been placed on any assets under the control of the municipality.

2016/2017

The previously reported opening balance and transfers for infrastructure under construction and opening balance, transfers and depreciation for infrastructure for 2015/2016 have been restated. Refer to note 40.

Infrastructure assets with a cost value of R8 757 243 and carrying value of R5 624 601 for Wards 5, 6, 7 and 8 of Ntambanana Municipality were transferred to uMhlathuze Local Municipality on the 10 August 2016. Refer to note 30 and 39.

Other assets with a cost of R28 616 and a carrying value of R10 854 were donated to the municipal entity, Uthungulu Fresh Produce Market on 30 June 2017. Refer to note 30 and 39.

Repairs and maintenance per asset class is disclosed in note 27.

2015/2016

Assets with a carrying value of R11 982 484 (building) and R324 143 (other assets) were donated to the municipal entity, Uthungulu Fresh Produce Market.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

9. Intangible assets

	2017			2016		
	Cost	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software and other	5,317,218	(1,863,874)	3,453,344	3,495,464	(1,414,010)	2,081,454

Reconciliation of intangible assets - June 2017

	Opening carrying value	**Additions**	**Amortisation**	**Total**
Computer software & other	2,081,454	1,821,754	(449,864)	3,453,344

Reconciliation of intangible assets - June 2016

	Opening carrying value	**Additions**	**Donations**	**Amortisation**	**Total**
Computer software & other	1,049,746	1,515,500	(168,115)	(315,677)	2,081,454

In the 2015/ 2016 financial year, assets with a carrying value of R168 115 were donated to the municipal entity, Uthungulu Fresh Produce Market.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

10. Heritage assets

	2017			2016		
	Cost / Valuation	**Accumulated impairment losses**	**Carrying value**	**Cost / Valuation**	**Accumulated impairment losses**	**Carrying value**
Historical monuments	700,000	-	700,000	-	-	-

Reconciliation of heritage assets - June 2017

	Opening balance	**Additions**	**Total**
Historical monuments	-	700,000	700,000

Heritage assets

Historical Monuments

In the 2016/2017 financial year the municipality commissioned a historical monument of King Cetshwayo and as such deemed this as a cultural heritage asset.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2017	2016

11. Investments in municipal entities

	% holding June 2017	% holding June 2016	Carrying amount June 2017	Carrying amount June 2016
uThungulu Financing Partnership	99.00 %	99.00 %	5,478,224	11,684,588
uThungulu House Development Trust	100.00 %	100.00 %	650,169	2,714,518
Uthungulu Fresh Produce Market	100.00 %	100.00 %	1,000	1,000
			6,129,393	**14,400,106**

The carrying amounts of municipal entities are shown net of impairment losses. Refer to note 39.

12. Investments in financial asset - shares

Name of entity	Listed / Unlisted	No. of Shares 2017	No. of Shares 2016	Fair value 2017	Fair value 2016 restated
Sanlam Limited	Listed	1136	1136	**73,613**	**68,569**

The municipality was one of numerous municipalities who became incidental shareholders in Sanlam Limited as a result of a demutualisation process undertaken by Sanlam Limited in 1998.

The shares in Sanlam Limited are measured at fair value with reference to quoted prices on the Johannesburg Stock Exchange as at each reporting date and the transactions has been applied accordingly. Refer to note 40 for further disclosure.

Fair value adjustment

The fair values determined annually at end of the reporting period, were determined as follows:

- The fair values of listed or quoted investments are based on the quoted market share price.

Reconciliation of fair value adjustment in 2015/2016

Share price as at 30 June 2015 R66.34
Share price as at 30 June 2016 R60.36

Share value as at 30 June 2015 R75 362
Share value as at 30 June 2016 R68 569
Loss on fair value adjustment R 6 793

Reconciliation of fair value adjustment in 2016/2017

Share price as at 30 June 2016 R60.36
Share price as at 30 June 2017 R64.80

Share value as at 30 June 2016 R68 569
Share value as at 30 June 2017 R73 613
Gain on fair value adjustment R 5 044

Figures in Rand	2017	2016

13. Long term liabilities

At amortised cost		
ABSA Bank 12.6%	31,413,953	34,087,360
The loan was raised originally for the development of the King Cetshwayo House building and the greater Mthonjaneni Bulk Water Scheme. Subsequently infrastructure for the landfill site and sewer treatment plants were constructed there from. The original loan is repayable after a 15 year period (remaining period 7 years). Interest at 12.6% is payable 6 monthly in arrears on the last day of the month.		
INCA 11.95%	18,307,836	20,301,718
The loan was raised to finance extensions to King Cetshwayo House and the development of the Regional Solid Waste Site cell 2. The original loan is repayable after a 15 year period (remaining period 6 years). Interest at 11.95% is payable 6 monthly in arrears on the last day of the month.		
Obligation under Finance Headlease	5,345,363	13,667,062
The finance headlease payments represent payments by the municipality for a headlease property in which the municipality has a controlling interest at the end of the lease through Uthungulu Financing Partnership and consists of a lease over Portion 2 of ERF 10033 Richards Bay, 2 Haiti, Central Business District, known as King Cetshwayo House. The original lease period expires on 31 October 2017, ownership of the property will vest with King Cetshwayo District Municipality on the termination of the lease. The yield to maturity on the lease is 23.81% and is paid 6 monthly in advance on the last day of the month.		
Long term liabilities	**55,067,152**	**68,056,140**
Non-current liabilities		
At amortised cost	**44,461,655**	**55,067,151**
Current liabilities		
At amortised cost	**10,605,497**	**12,988,989**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2017	2016

13. Long term liabilities (continued)

Finance lease

Obligations under finance lease

- not later than one year	5,787,334	10,863,942
- later than one year and not later than five years	-	5,787,334
less future finance charges	(441,973)	(2,984,215)

The original lease period expires on 31 October 2017, ownership of the property will vest with King Cetshwayo District Municipality on the termination of the lease. The municipality has commenced engagements with the administrators of the Uthungulu House Development Trust and Uthungulu Financing Partnership in order to establish the best options to follow upon the expiry of the lease.

	5,345,361	**13,667,061**

Present value of minimum lease payments

- not later than one year	5,345,361	9,444,379
- later than one year and not later than five years	-	4,222,682
	5,345,361	**13,667,061**

14. Payables from exchange transactions

Accrued leave pay	10,532,205	9,884,563
Amounts received in advance	4,303,513	3,409,996
Employee payable transactions	84,733	115,301
uMhlathuze municipality	37,561	-
Retention payables	55,299,844	52,850,114
Trade payables	159,603,759	130,436,556
	229,861,615	**196,696,530**

Payables are settled in terms of legislation, except for retentions which are settled in terms of the contract agreement. Payments received in advance are non interest bearing.

2016/2017

uMhlathuze municipality - A liability has been raised in favour of uMhlathuze municipality, as a result of the disestablishment of Ntambanana municipality. The amount relates to transferred consumer debtor accounts with payments made in advance.

2015/2016

Retention payables - Retentions amounting to R790 218 were written back to sundry income as prescription was effected. Refer to note 22.

15. Consumer deposits

Water	**10,386,568**	**10,138,749**

In terms of Council's by-laws no interest is raised or paid on consumer deposits.

Figures in Rand	2017	2016

16. Defined employee benefit obligations

Defined benefit plan

Post retirement health care benefit liability

The municipality provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current condition of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The most recent actuarial valuations of the unfunded defined benefit obligation was carried out as at 30 June 2017 by PWC, a member of the Actuarial Society of South Africa.

The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit funding method.
No other post retirement benefits are provided by the municipality.

The municipality makes monthly contributions to the following medical aid schemes;

- Bonitas
- Keyhealth
- Hosmed
- Samwumed
- LA Health

The post employment health care benefit plan is a defined benefit plan, of which the members are made up as follows:

Membership		
In service members (Employees)	284	270
Continuation members (Retirees, widowers and orphans)	4	4
	288	**274**
Estimated liability in respect of past services		
In service members (Employees)	22,166,000	20,373,000
Continuation members (Retirees, widowers and orphans)	2,226,000	1,967,000
	24,392,000	**22,340,000**

Figures in Rand	2017	2016

16. Defined employee benefit obligations (continued)

Long service awards

A long service award is granted to municipal employees after the completion of fixed periods of continuous service with the municipality which includes their uninterrupted service with the former Local Authorities amalgamated in December 2000. The said award comprises a certain number of vacation leave days which, in accordance with the option exercised by the beneficiary employee, can be converted into an amount based on his or her basic salary applicable at the time the award became due or, alternatively, credited to his or her vacation leave accrual.

The provision represents an estimation of the awards to which employees in the service of the municipality at 30 June 2017 may become entitled to in future, based on actuarial valuation performed at that date.

The most recent actuarial valuations of the unfunded defined benefit obligation was carried out as at 30 June 2017 by PWC, a member of the Actuarial Society of South Africa.

The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit funding method.
No other long service benefits are provided by the municipality.

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Present value of the defined benefit obligation-post employment medical aid benefits	(24,392,000)	(22,340,000)
Present value of the defined benefit obligation-long service awards	(6,447,000)	(4,950,000)
	(30,839,000)	**(27,290,000)**
Non-current liabilities	**(30,043,000)**	**(26,640,000)**
Current liabilities	**(796,000)**	**(650,000)**
	(30,839,000)	**(27,290,000)**

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	27,290,000	24,097,000
Net expense recognised in the statement of financial performance - total included in employee related costs	3,549,000	3,193,000
	30,839,000	**27,290,000**

Figures in Rand	2017	2016

16. Defined employee benefit obligations (continued)

Net expense recognised in the statement of financial performance

Post employment medical aid benefits - current service cost	1,731,000	1,437,000
Long service awards - current service cost	687,000	548,000
Post employment medical aid benefits - interest cost	2,296,000	1,905,000
Long service awards - interest cost	519,000	370,000
Post employment medical aid benefits - actuarial loss / (gain)	(1,834,774)	(1,052,307)
Long service awards - actuarial loss / (gain)	932,913	419,058
Post employment medical aid benefits - benefits paid	(140,226)	(127,693)
Long service awards - benefits paid	(641,913)	(306,058)
	3,549,000	**3,193,000**

Calculation of actuarial gains and losses

Post employment medical aid benefits - actuarial loss / (gain)	(1,834,774)	(1,052,307)
Long service awards - actuarial loss / (gain)	932,913	419,058
	(901,861)	**(633,249)**

Expected future service and interest costs

Post employment medical aid benefits

Based on the most recent actuarial valuation as at 30 June 2017, the future service cost for the 2017/2018 financial year was established to be R1 710 000, whereas the interest cost is estimated to be R2 642 000 (2016 - R1 731 000 and R2 296 000 respectively).

The municipality expects to make a contribution of R170 000, (2016 - R140 226) to the defined benefit plans during the 2017/2018 financial year.

Long service awards

Based on the most recent actuarial valuation as at 30 June 2017, the future service cost for the 2017/2018 financial year was established to be R764 000, whereas the interest cost is estimated to be R586 000 (2016 - R687 000 and R519 000 respectively).

The municipality expects to make a contribution of R626 000, (2016 - R641 913) to the defined benefit plans during the 2017/2018 financial year.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2017	2016

16. Defined employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Post employment medical aid benefits		
Discount rates used	10,50% 9,40%	Yield curve CPI + 1%
Net effective discount rate	1,01%	Yield curve based
Consumer price inflation (CPI)	7,40%	Difference between nominal and yield curves
Long service awards		
Discount rate	9,20%	Yield curve
Normal salary increase rate	7,00%	Equal to CPI + 1%
Net effective discount rate	2,06%	Yield curve
Consumer price inflation (CPI)	6.00%	Difference between nominal and real yield curves

16. Defined employee benefit obligations (continued)

The expected retirement age for both females and males is 63 years (2016 - females 58 years and males 63 years).

The basis on which the discount rate and medical aid inflation rate has been determined for the 2016/2017 and 2015/2016 financial year are as follows for post employment medical aid benefits respectively:

2016/2017

The discount rate used in the valuation was determined by reference to market yields on government bonds as at the balance sheet date. In line with GRAP 25 and current market practice, government bond yields are therefore used when setting best estimate discount rate assumption.

The currency and term of the government bonds shall be consistent with the currency and estimated term of the post employment benefit obligations.

The estimated discount rate was set equal to the yield on the BESA zero-coupon yield curve with a term of 18 years, the expected duration of the liability based on the current membership data, as at 30 June 2017.

In the past, healthcare cost inflation has typically exceeded the Consumer Price Index ("CPI") by a margin of 1% to 2%. The Bond Exchange of South Africa fits a real yield curve on index-linked bonds. This real yield curve is published together with the BEASSA yield curve on zero-coupon government bond yields, which is a nominal yield curve.

The inflation assumption methodology has been updated to reflect the use of the real and nominal yield curves to determine the inflation assumption as this provides more accurate information on the outlook on inflation at specific durations. Therefore, the best estimate inflation assumption is calculated as the difference between the nominal and real yield curves at the point corresponding to the duration of the liability, including a 0.5% inflation risk premium adjustment to make appropriate allowance for the current economic environment. A margin of 2% was added to this value to determine the healthcare cost inflation assumption.

The CPI inflation assumption using this methodology is 7.40% as at 30 June 2017. Thus, the healthcare cost inflation has been set as 9.40% at the valuation date, after allowing for a margin of 2% over CPI inflation.

The relationship between the gross discount rate and healthcare cost inflation rate is more important than the individual values. The net discount rate is also a highly significant assumption in the respective valuations.

The future medical benefits are projected in line with the healthcare cost inflation rate and discounted at the gross discount rate. This is equivalent to discounting the benefits at their current level at the net discount rate.

The net discount rate therefore depends on the relationship between the gross discount rate and the healthcare cost inflation rate respectively. Using the gross discount and healthcare cost inflation rates as shown above, the resulting net discount rate is 1.01% (calculated as (1+ discount rate) / (1 + healthcare cost inflation rate) - 1) for the 30 June 2017 valuation.

2015/2016

The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

16. Defined employee benefit obligations (continued)

The discount rate and CPI assumptions were based on the nominal and real zero curves as at 30 June 2017 by the JSE.

The medical aid contribution inflation rate was set with reference to the past relationship between the yield curve based discount rate for each relevant time period and the yield curve based medical aid contribution inflation for each relevant time period.

South Africa has experienced high health care cost inflation in recent years. The annualised compound rates of increase for the last ten years show that registered medical aid schemes contribution inflation outstripped general CPI by almost 3% year on year. We do not consider these increases to be sustainable and have assumed that medical aid contribution increases would out-strip general inflation by 1% per annum over the foreseeable future.

The basis on which the discount rate and salary inflation has been determined for 2016/2017 and 2015/2016 financial year are as follows for long service awards respectively:

2016/2017

The discount rate used in the valuation was determined by reference to market yields on government bonds as at the balance sheet date. In line with GRAP 25 and current market practice, government bond yields are therefore used when setting best estimate discount rate assumption.

The currency and term of the government bonds shall be consistent with the currency and estimated term of the post employment benefit obligations.

The estimated discount rate was set equal to the yield on the BEASSA zero-coupon yield curve with a term of 8 years, the expected duration of the liability based on the current membership data, as at 30 June 2017.

In the past, salary inflation has typically exceeded the Consumer Price Index ("CPI") by a margin of around 2 %.

The Bond Exchange of South Africa fits a real yield curve on index-linked bonds. This real yield curve is published together with the BEASSA yield curve on zero-coupon government bond yields, which is a nominal yield curve.

The inflation assumption methodology has been updated to reflect the use of the real and nominal yield curves to determine the inflation assumption as this provides more accurate information on the outlook on inflation at specific durations. Therefore, the best estimate inflation assumption is calculated as the difference between the nominal and real yield curves at the point corresponding to the duration of the liability, including a 0.5% inflation risk premium adjustment to make appropriate allowance for the current economic environment. A margin of 1% was added to this value to determine the salary inflation assumption, prior to further merit increases.

The CPI inflation assumption using this methodology is 6.00% as at 30 June 2017. Thus, the salary inflation has been set as 7.00% at the valuation date, after allowing for a margin of 1% over CPI inflation.

The relationship between the gross discount rate and salary inflation rates are more important than the individual values. The net discount rate is also a highly significant assumption in the respective valuations.

The future long service awards are projected in line with the salary inflation rate and discounted at the gross discount rate. This is equivalent to discounting the benefits at their current level at the net discount rate.

16. Defined employee benefit obligations (continued)

The net discount rate therefore depends on the relationship between the gross discount rate and the salary inflation rate respectively. Using the gross discount and salary inflation rates as shown above, the resulting net discount rate is 2.06% (calculated as (1+ discount rate) / (1 + salary inflation rate) - 1) for the 30 June 2017 valuation.

Due to the current market conditions, the net discount rate as at 30 June 2017 is positive.

2015/2016

The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

The discount rate and CPI assumptions were based on the nominal and real zero curves as at 30 June 2017 by the JSE.

The actuaries have derived the underlying future rate of consumer index inflation (CPI inflation) from the relationship between yield curve based (Conventional Bond Rate) for each relevant time period and the yield curve based (inflation linked bond rate) for each relevant time period. Our assumed rate of salary inflation was set as the assumed value of CPI plus 1%. The salaries used in the valuation include an assumed increase on 01 July 2017 of 7%. The next salary increase was assumed to take place on 01 July 2018.

Figures in Rand	2017	2016

16. Defined employee benefit obligations (continued)

Other assumptions

Assumed healthcare cost trends and salary inflation rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends and salary inflation rates would have the following effects:

Increase of 1% / (Decrease of 1%)		
Effect on the post employment medical aid benefit (pemab)	818,000	702,000
Effect on the aggregate of the service cost and interest cost - pemab	143,000	129,000
Effect on the post employment medical aid benefit (pemab)	(1,204,000)	(961,000)
Effect on the aggregate of the service cost and interest cost - pemab	(216,000)	(176,000)
Effect on the long service awards (lsa)	480,000	389,000
Effect on the aggregate of the service cost and interest cost - lsa	196,000	110,000
Effect on the long service awards (lsa)	(430,000)	(349,000)
Effect on the aggregate of the service cost and interest cost - lsa	(45,000)	(97,000)

Defined benefits obligations

An amount of R19 111 665 (2016 - R16 465 085) was contributed by Council towards employment retirement funding. These contributions have been expensed. The Zululand Joint Provident Fund has received a notice of exemption for further valuations per notice number 12/8/37666.

A service benefit in the form of participation in the Zululand Joint Provident Fund (Uthungulu District Municipality Provident Fund) was in existence, whereby the municipality and employee co-contributed towards a group life cover. During the course of previous years, pursuant to ongoing and prior engagements with relevant stakeholders, the municipality ceased participation therein in October 2015. The fund had by 30 June 2016 initiated the appropriate liquidation processes as legislated. A liquidator was duly appointed, the fund liquidated and the draft preliminary accounts were submitted to the Financial Services Board (FSB) on 31 January 2017. The FSB approval was received on 31 January 2017 and advertisements informing members and former members of the funds liquidation had been placed in newspapers. Benefits payments commenced at the beginning of May 2017 and payments are still in progress pending finalisation of claims.

Municipal employees have since joined the Old Mutual Group Life scheme from 1 November 2015 which includes family cover, life insurance and group income protection. The municipality and employee each contribute to the scheme based on a percentage of the employees pensionable earnings.

Description of Fund	Last Actuarial Valuation	Total Assets R'000	Total Liabilities R'000	Net Gain/ (Loss) R'000
Government Employees Pension Fund	March 2014	1 425 719	1 173 516	252 203
KwaZulu-Natal Joint Municipal Provident Fund	March 2015	2 636 064	2 453 607	182 457
Natal Joint Municipal Pension Fund (Superannuation Fund)	March 2015	10 113 227	10 113 227	-
Natal Joint Municipal Pension Fund (Retirement)	March 2015	3 650 776	3 799 470	(148 694)
Zululand Joint Provident Fund (Uthungulu District Municipality Provident Fund)	June 2017	2 264 408	2 264 408	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

17. Provisions

Reconciliation of provisions - June 2017

	Opening Balance	Additions	Utilised during the year	Total
Rehabilitation of refuse landfill site	67,112,461	3,221,398	-	70,333,859
Performance bonus	1,014,548	860,475	(1,014,548)	860,475
	68,127,009	**4,081,873**	**(1,014,548)**	**71,194,334**

Reconciliation of provisions - June 2016

	Opening Balance	Additions	Utilised during the year	Total
Rehabilitation of refuse landfill site	63,016,396	4,096,065	-	67,112,461
Performance bonus	1,048,172	579,354	(612,978)	1,014,548
	64,064,568	**4,675,419**	**(612,978)**	**68,127,009**

Non-current liabilities	**70,333,859**	**67,112,461**
Current liabilities	**860,475**	**1,014,548**

Performance bonuses are paid after the financial year end in arrears as the assessment of eligible employees had not taken place at reporting date.

In terms of licensing of the landfill refuse site, Council will incur rehabilitation costs of R70,3 million to restore the remaining portion's of the old Empangeni and Cell 1 refuse sites at the end of their useful lives. Provision has been made at best estimate determined by a professional engineer at a cost for the current solid waste (Cell 1 & Cell 2) and the old Empangeni Site.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2017	2016

18. Revenue from exchange transactions - Service charges

Sale of water	38,936,837	39,620,647
Solid waste revenue	18,972,070	16,913,003
Sanitation revenue	6,706,017	5,794,842
Cemetery revenue	174,268	269,724
Air quality licenses	52,000	360,000
	64,841,192	**62,958,216**

19. Revenue from exchange transactions - Interest received

Interest revenue		
Outstanding debtors	2,054,263	1,760,410
External investments	45,649,116	38,871,428
	47,703,379	**40,631,838**

20. Revenue from non exchange transactions - Government grants and subsidies

Grants from spheres of government and other		
Levy Replacement Grant	229,691,000	200,614,222
Equitable Share	203,713,932	209,661,640
Department of Water and Sanitation	270,159,536	314,818,177
Municipal Infrastructure Grant	152,763,820	192,867,552
Department of Public Works Grant	5,466,000	6,639,000
Department of Transport	2,377,959	2,321,000
National Treasury	1,451,053	1,691,000
Department of Co-operative Governance and Traditional Affairs (previously DTLGA)	398,677	707,862
Department of Co-operative Governance and Traditional Affairs	-	6,376,274
Public Donors	32,778	532,675
European Union	9,448	9,060
	866,064,203	**936,238,462**

Figures in Rand	2017	2016

20. Revenue from non exchange transactions - Government grants and subsidies (continued)

Summary of grants per funder

Levy Replacement Grant

Regional council levies have been discontinued as from 30 June 2006, and the national fiscus has allocated a levy replacement grant to the district municipalities. The levy replacement grant is an interim measure to ensure the financial stability of the district municipalities while National government is currently defining the overall fiscus streams to local government.

Equitable Share

In terms of the Constitution, this grant is unconditional and is used to subsidise the provision of basic services to the community. These subsidies includes 6 kilolitre free basic water to the entire district with the exception of KZ 282.

Department of Water and Sanitation

Balance unspent at beginning of the year	14,226,795	30,885,035
Current-year receipts: RBIG	211,224,000	211,616,302
Conditions met - transferred to revenue: RBIG	(195,163,008)	(206,194,902)
Debtor receipt : RBIG	(33,007,696)	(38,429,396)
Debtor - RBIG	16,946,704	33,007,696
Current-year receipts: WSIG	85,368,987	-
Conditions met - transferred to revenue: WSIG	(71,041,992)	-
Current-year receipts: ACIP	-	1,526,000
Conditions met - transferred to revenue: ACIP	-	(1,526,000)
Current-year receipts: MWIG	-	88,118,000
Conditions met - transferred to revenue: MWIG	(3,954,536)	(84,163,464)
Transferred to funder : MWIG - EQS	(10,272,559)	(20,545,118)
Conditions met - transferred to revenue: Other	-	(67,358)
Current-year receipts: Drought Relief	-	10,866,453
Conditions met - transferred to revenue: Drought relief	-	(10,866,453)
Current-year receipts: WSOG	-	12,000,000
Conditions met - transferred to revenue: WSOG	-	(12,000,000)
	14,326,695	**14,226,795**

Conditions still to be met - remain liabilities (see note 21)

These grants are used for:
- water infrastructure and sanitation projects;
- drought relief and disaster relief programmes.

In the 2014/2015 financial year an unspent allocation for MWIG amounting to R30 817 678 was in agreement with National Treasury, to be set off against Levy Replacement and Equitable Share tranche in three equal installments, commencing in the 2015/2016 financial year. In the 2015/2016 financial year an amount of R20 545 118 was set off against the Levy Replacement and Equitable Share tranche.

The remaining amount of R10 272 559 was reduced from 2016/2017 tranche on the 1 December 2016.

Figures in Rand	2017	2016

20. Revenue from non exchange transactions - Government grants and subsidies (continued)

Municipal Infrastructure Grant

Current-year receipts	165,170,000	175,330,000
Conditions met - transferred to revenue	(152,763,820)	(192,867,550)
Debtor receipt	(19,193,620)	(1,656,070)
Debtor raised	6,787,440	19,193,620
	-	-

This grant is used to construct water and sewerage infrastructure as part of the upgrading of informal settlement areas.

Department of Public Works Grants

Current-year receipts: EPWP	5,466,000	6,639,000
Conditions met - transferred to revenue : EPWP	(5,466,000)	(6,639,000)
	-	-

This grant is used to construct water and sewerage infrastructure as part of the upgrading of informal settlement areas.

Department of Transport

Balance unspent at beginning of the year	538,373	1,615,116
Current-year receipts: Rural transport services and infrastructure grant	2,379,000	2,321,000
Conditions met - transferred to revenue: Rural transport services and infrastructure grant	(2,377,959)	(2,321,000)
Transferred to funder - EQS	(538,373)	(1,076,743)
	1,041	**538,373**

Conditions still to be met - remain liabilities (see note 21)

The Department of Transport grant is used for the development of the public transport plan.

In the 2014/2015 financial year an unspent allocation for Rural transport services and infrastructure grant amounting to R1 615 116 was in agreement with National Treasury, to be set off against Levy Replacement and Equitable Share tranche in three equal installments, commencing in the 2015/2016 financial year. In the 2015/2016 financial year an amount of R1 076 743 was set off against the Levy Replacement and Equitable Share tranche. The remaining amount of R538 373 pertaining to the unspent allocation of R1 615 116 was reduced from the 2016/2017 tranche on the 1 December 2016.

Figures in Rand	2017	2016

20. Revenue from non exchange transactions - Government grants and subsidies (continued)

National Treasury

Balance unspent at beginning of the year	837	-
Current-year receipts : Local Finance Management Grant	1,250,000	1,250,000
Conditions met - transferred to revenue: Local Finance Management Grant	(1,250,000)	(1,250,000)
Current-year receipts : LG SETA	200,216	441,837
Conditions met - transferred to revenue: LG SETA	(201,053)	(441,000)
	-	**837**

Conditions still to be met - remain liabilities (see note 21)

National Treasury grants are used for:

- to promote and support reforms to municipal financial management, and
- the implementation of the Municipal Finance Management Act (Act no. 56 of 2003).

Department of Co-operative Governance and Traditional Affairs (Previously DTLGA)

Balance unspent at beginning of the year	127,383	616,741
Current-year receipts	400,000	250,000
Conditions met - transferred to revenue	(398,678)	(707,862)
Close out project savings transferred to funder	-	(31,496)
	128,705	**127,383**

Conditions still to be met - remain liabilities (see note 21)

These grants are used:

- to build capacity within the district in order to perform functions as per legislature;
- for disaster programmes, fire fighting equipment, water service delivery planning, shared services unit and infrastructure.

Department of Co-operative Governance and Traditional Affairs

Balance unspent at beginning of the year	-	5,436,424
Current-year receipts: MSIG	-	940,000
Conditions met - transferred to revenue: MSIG	-	(940,000)
Conditions met - transferred to revenue: Growth and Development Summit	-	(21,672)
Conditions met - transferred to revenue: Fresh Produce Market	-	(5,263,655)
Conditions met - transferred to revenue: Other	-	(151,097)
	-	**-**

The Department of Co-operative Governance and Traditional Affairs grants are used to build capacity within the district in order to perform functions as per legislature.

In the 2015/2016 financial year, an amount of R5 263 655 was transferred to the municipal entity, Uthungulu Fresh Produce Market. Refer to note 39.

Figures in Rand	2017	2016

20. Revenue from non exchange transactions - Government grants and subsidies (continued)

Public donors

Balance unspent at beginning of the year	32,778	37,203
Conditions met: NEDBANK	-	(20,000)
Conditions met - transferred to revenue: FOSKOR	(4,528)	(12,675)
Current-year receipts: TRONOX	-	500,000
Conditions met - transferred to revenue: TRONOX	-	(500,000)
Current-year receipts: ITHALA	-	28,250
Conditions met - transferred to revenue: ITHALA	(28,250)	-
	-	**32,778**

Conditions still to be met - remain liabilities (see note 21)

The allocations were received to partner with the district municipality in raising funds to support children in need of school uniforms, water reticulation projects, youth and HIV/Aids programmes.

Department of Sports and Recreation

Balance unspent at beginning of the year	**3,813**	**3,813**

Conditions still to be met - remain liabilities (see note 21)

The grant received from the Department of Sport and Recreation is used to develop sporting codes within the district. The grant is spent in accordance with the approved business plan.

Department of Economic Development Tourism and Environmental Affairs

Balance unspent at beginning of the year	1,000,000	-
Current-year receipts	1,500,000	1,000,000
	2,500,000	**1,000,000**

Conditions still to be met - remain liabilities (see note 21)

The grant received from the Department of Economic Development Tourism and Environmental Affairs is for the development of environmental framework plan and essential oils programmes.

European Union

Balance unspent at beginning of the year	9,448	9,060
Current-year receipts	-	9,447
Conditions met - transferred to revenue	(9,448)	(9,060)
	-	**9,447**

Conditions still to be met - remain liabilities (see note 21).

The grant received from the European Union is for the development of critical sector plans and other.

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21. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Conditional grants from spheres of government and other		
Department of Water and Sanitation	14,326,695	14,226,795
Department of Economic Development Tourism and Environmental Affairs	2,500,000	1,000,000
Department of Co-operative Governance and Traditional Affairs (Previously DTLGA)	128,705	127,383
National Treasury	-	837
Public donors	-	32,778
Department of Sport and Recreation	3,813	3,813
Department of Transport	1,041	538,373
European Union	-	9,447
	16,960,254	**15,939,426**

22. Revenue from exchange transactions - Other income

Dividends	20,875	-
Income from the uThungulu House Development Trust	995,651	1,757,694
Income from uThungulu Financing Partnership	1,597,578	2,404,255
Insurance claim proceeds	1,102,425	522,327
Lease income	61,492	55,902
SETA refund	70,028	235,794
Sundry income and other	5,055,531	15,458,456
Tender deposits	1,066,449	793,152
	9,970,029	**21,227,580**

2016/2017

Dividends - The municipality was one of numerous municipalities who became shareholders in Sanlam Limited as a result of a demutualisation process undertaken by Sanlam Limited in 1998. The municipality was not aware of the allocation of shares until Sanlam Limited issued a notice for untraceable shareholders. National Treasury through correspondence notified municipalities that Sanlam Limited issued a notice for untraceable shareholders in 2016/2017. In this regard the municipality was issued 1136 shares with accumulated dividends amounting to R20 875 which was received by the municipality on 26 May 2017. Refer to note 12 and note 40.

2015/2016

Sundry income and other - An input vat claim lodged with SARS for previous years VAT apportionment was paid to the municipality amounting to R14 411 741. Refer to note 37.

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23. Employee related costs

Employee related costs - salaries and wages	115,574,935	104,872,184
Employee related costs - contributions for UIF, pensions and medical aid	26,400,863	23,452,028
Travel and other allowances	12,921,557	11,962,031
Overtime and relief payments	7,109,366	6,271,658
Defined employee benefit obligations: post employment medical aid benefits & long service awards	3,549,000	3,193,000
Housing benefits and allowances	2,716,456	2,684,405
	168,272,177	**152,435,306**

Included in employee related costs above are the following salaries, allowances and benefits for the Municipal Manager and Deputy Municipal Managers:

Remuneration of Municipal Manager

Annual remuneration	1,236,723	1,172,250
Car allowance	429,315	393,819
Performance bonuses	218,820	149,284
Contributions to UIF and other	1,877	1,872
	1,886,735	**1,717,225**

The contract of the Municipal Manager will end on 30 June 2017 and the position has been advertised.

Remuneration of Deputy Municipal Manager - Technical Services

Annual remuneration	39,032	977,264
Car allowance	-	217,280
Contributions to UIF, pension and other	15,362	228,436
	54,394	**1,422,980**

The amount of R54 394 was paid on the 13 July 2016 as the final salary to the incumbent who is no longer employed by the municipality.

Remuneration of Deputy Municipal Manager - Corporate Services

Annual remuneration	1,079,348	1,023,078
Car allowance	329,801	312,608
Performance bonuses	198,932	135,716
Annual bonus	89,946	85,257
Contributions to UIF and other	1,877	1,872
	1,699,904	**1,558,531**

Remuneration of Deputy Municipal Manager - Financial Services

Annual remuneration	1,049,372	994,665
Car allowance	457,563	442,306
Performance bonuses	198,932	135,716
Contributions to UIF and other	1,877	1,872
	1,707,744	**1,574,559**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2017	2016

23. Employee related costs (continued)

Remuneration of Deputy Municipal Manager - Planning & Economic Development

Annual remuneration	191,479	1,088,980
Car allowance	43,437	217,800
Performance bonuses	198,932	90,477
Annual bonus	71,805	90,748
Acting allowance	31,181	-
Contributions to UIF, pension,medical and other	13,955	52,268
	550,789	**1,540,273**

In the 2016/2017 financial year an acting allowance of R31 181 was paid to an incumbent for duties pertaining to the Planning Department as the post for the Deputy Municipal Manager: Planning and Economic Development has been vacant since September 2016.

Deputy Municipal Manager - Community Services

Annual Remuneration	1,100,167	1,046,386
Car Allowance	216,889	199,445
Performance Bonuses	198,931	101,787
Contributions to UIF, Medical, Pension and other	183,960	179,359
Acting allowance	-	15,634
	1,699,947	**1,542,611**

In the 2015/2016 financial year an acting allowance was paid to the incumbent for fulfilling the duties pertaining to the Technical department.

24. Remuneration of councillors

Mayor	844,048	859,982
Deputy Mayor	695,663	608,666
Speaker	661,423	464,013
Chief Whip	589,640	653,620
Executive Committee	3,425,478	3,289,193
Councillors	2,425,190	2,804,210
Councillors' pension contribution	773,634	742,400
MPAC Chair	570,477	672,442
	9,985,553	**10,094,526**

Figures in Rand	2017	2016

24. Remuneration of councillors (continued)

In-kind benefits

The Mayor, Deputy Mayor, Speaker, Chief Whip, MPAC Chair and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council which is included with other expenditure in the statement of financial performance. The Mayor, Deputy Mayor and Speaker have the use of a Council owned vehicle together with a driver for official duties, and security. Furthermore security is provided for some Exco and Council members based on security assessments, as outlined in the Government Gazette on the Determination of upper limits of salaries, allowances and benefits of municipal councils.

In the 2016/2017 financial year as a result of the Local Government elections, councillors elected to serve on EXCO including the MPAC chair were only paid full time allowances for these positions from 23 November 2016, which was the date of the MEC for COGTA's proclamation.

The increase in costs relating to the Deputy Mayor position is as a result of the position being vacant for approximately two months in the 2015/2016 year.

The increase in costs relating to the Speaker position is as a result of the previous Speaker being paid the difference between the Local Municipal Council salary and the District Council salary.

25. Depreciation, amortisation and impairment

Property, plant and equipment	61,902,668	51,263,041
Intangible assets	449,864	315,677
	62,352,532	**51,578,718**

The comparative figure for depreciation property, plant and equipment has been restated by an amount of R822 642. Refer to note 40

26. Finance costs

Interest paid - long term liabilities	**9,125,435**	**11,251,516**

27. Repairs and maintenance

Other assets	1,222,690	810,974
Infrastructure	77,362,148	87,253,911
Buildings	538,209	512,959
	79,123,047	**88,577,844**

Repairs and maintenance effected on property, plant and equipment for the class of assets namely other assets, infrastructure and buildings amounted to R1 222 690, R77 362 148 and R538 209 with a carrying value of R17 348 897, R1 120 737 824 and R49 515 117 respectively. Refer to note 8.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2017	2016

28. Bulk purchases

Electricity for operations	26,450,552	25,928,362
Water	29,170,959	23,606,652
	55,621,511	**49,535,014**

29. Contracted services

Service support agent, information technology services, environmental health and administration services	98,158,040	90,552,707
Internal audit	1,798,539	1,729,913
Specialist services	95,171	123,447
	100,051,750	**92,406,067**

30. Grants and donations

KZ 282 uMhlathuze Municipality	5,624,601	-
KZ 283 Ntambanana Municipality	-	7,563,000
Uthungulu Fresh Produce Market	5,010,854	22,546,719
	10,635,455	**30,109,719**

2016/2017

The municipality transferred a grant of R5 000 000 and donated assets with a carrying value of R10 854 to the municipal entity, Uthungulu Fresh Produce Market.

As per the re-determination of boundaries gazette number 154, water infrastructure assets with a carrying value of R5 624 601 was transferred to uMhlathuze municipality effective 10 August 2016. Refer to note 8 and note 39.

2015/2016

The municipality transferred a grant of R10 071 977 and donated assets with a carrying value of R12 474 743 to the municipal entity, Uthungulu Fresh Produce Market, as the entity commenced with operations from 1 July 2015. Refer to note 8 and 39.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2017	2016

31. General expenses

Advertisements	861,284	691,660
Assessment rates and municipal charges	1,024,435	929,822
Auction Fees	28,916	-
Audit committee fees	170,005	184,808
Bank charges	155,713	213,096
Bursaries	853,521	1,070,348
Chemicals and cleaning materials	5,715,203	3,628,603
Delegations	1,074,291	895,732
External audit fees	2,338,424	2,510,235
Fuel and oil	3,923,854	4,058,947
IDP operational externally funded projects	30,553,612	77,092,806
IDP operational internal funded projects	100,109,610	103,664,517
Indigent burials	79,395	100,132
Insurance	1,099,788	1,197,668
Landfill site rehabilitation	3,221,398	4,096,065
Legal fees	1,945,356	2,201,896
Levies and membership fees	1,916,467	1,838,240
Licenses	1,001,067	1,205,469
Personal protective equipment	859,784	485,513
Printing and postage	1,911,508	1,684,271
Publicity	1,852,330	1,756,816
Refreshments	401,861	545,491
Rent - plant and vehicles	8,210,271	7,919,137
Rent office	112,390	51,206
Skills development levy	1,318,760	1,199,612
Small tools	101,966	63,401
Staff medical examinations	291,000	268,910
Stores and material	193,938	102,211
Subsistence and travelling	3,394,969	3,697,481
Telephone	1,936,713	1,797,608
Training costs	2,466,969	2,706,122
Workmen's compensation	821,297	763,147
	179,946,095	**228,620,970**

Included in general expenses is operational Integrated Development Projects(IDP) which are funded through both surplus(internally funded) and grants(externally funded).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2017	2016

32. Cash generated from operations

Surplus	296,967,713	337,962,847
Adjustments for:		
Depreciation, amortisation and impairment	62,352,532	51,578,718
(Surplus)/Loss on sale of property, plant and equipment	(65,566)	632,302
Fair value adjustments	(5,044)	6,793
Debt impairment	12,345,987	7,871,993
Movements in defined employee benefit obligations	3,549,000	3,193,000
Movements in provisions	3,067,325	4,062,441
Inventories losses/written down	4,268,825	13,735
Changes in working capital:		
Inventories	(1,162,586)	(222,111)
Receivables from non exchange transactions	21,436,615	4,408,480
Receivables from exchange transactions - consumer debtors	(9,384,928)	(10,950,546)
Payables from exchange transactions	33,165,085	10,008,124
Receivables from exchange transactions - VAT	23,101,308	(9,336,261)
Unspent conditional grants and receipts	1,020,828	(22,663,956)
Consumer deposits	247,819	440,322
Other non-cash items: Accruals	(56,951,909)	(45,013,721)
	393,953,004	**331,992,160**

33. Commitments

Authorised capital expenditure

Approved and Contracted for		
• Infrastructure	241,385,435	456,595,670
This expenditure will be financed from:		
• Government grants	241,143,928	456,595,670
• Own resources	241,507	-
	241,385,435	**456,595,670**

The outstanding commitments relate to capital projects and other assets that have been committed by order, by the Bid Adjudication Committee and Council prior to 30 June 2017.

34. Operating leases - as lessee (expense)

Minimum lease payments due		
- not later than one year	2,158,419	6,288,360
- later than one year and not later than five years	65,839	464,381
	2,224,258	**6,752,741**

Operating lease payments represent payments for the leasing of vehicles by the municipality. Lease contracts are entered into for a three year period and the lease payments are fixed for the lease period with no escalation. A number of the current lease agreements were extended in the 2016/2017 financial year via section 116 of the Municipal Finance Management Act on a month to month basis. An amount of R6 881 457 has been recognised in the statement of financial performance for the year ended 30 June 2017.

35. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process. Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that the accounting officer records the reasons for any deviations and reports the said deviations to the next meeting of Council and includes a note to the annual financial statements. All deviations are reported to Council on a quarterly basis with a detailed schedule and reasons thereto.

The deviations greater than R 200 000 are listed individually below for the period ended 30 June 2017.

Project description	Amount
	R
Provision of chemicals for water treatment	295 260
Extension of the provision of plant hire services	429 083
Water tanker services - drought relief	2 380 736
Renaming of the District - catering	239 400
Water tanker services - drought relief	2 115 166
Installation and commissioning of foyer security	286 948
Facilitation services for EPWP contracts	204 381
Salga games - sports wear	425 784
Provision of chemicals for water treatment	205 402
Extension of the provision of plant hire services	3 935 055
Water tanker services - drought relief	3 589 878
Provision of scientific water services	435 566
Provision of chemicals for water treatment	407 835
Extension of the provision of plant hire services	2 984 710
Provision of chemicals for water treatment	294 980
Water tanker services - drought relief	2 348 697
Salga games - accommodation	214 000
Provision of budget module software	448 305
IDP roadshows	250 000
Salga games - catering services	335 388
Facilitation services for EPWP contracts	256 465
Extension of the provision of plant hire services	1 503 507
Provision of chemicals for water treatment	509 301
Provision of security services	328 552
Provision of security services	371 263
Water tanker services - drought relief	3 151 275
Provision of entertainment rights	400 000
Acquisition of sewerage truck	1 176 703
Extension of the provision of plant hire services	1 473 853
Facilitation services for EPWP contracts	210 863
Water tanker services - drought relief	1 611 843
Implementation of Mscoa	1 427 793
Provision of equipment for LED projects	380 000
Provision of security services	395 187
Extension of the provision of plant hire services	1 512 857
Water tanker services - drought relief	1 543 398
Facilitation services for EPWP contracts	211 645
Extension of the provision of plant hire services	1 491 187
Provision of security services	395 187
Water tanker services - drought relief	3 334 890
Provision of equipment for LED projects	420 000
Provision of chemicals for water treatment	367 023
Training for officials at UKZN - MDP	238 740

35. Deviation from supply chain management regulations (continued)

Extension of the provision of plant hire services	1 333 922
Provision of security services	395 187
Water tanker services - drought relief	1 449 057
Refurbishment of staff ablution facilities	417 620
Training for officials at Wits business school - MFMP	260 000
Extension of the provision of plant hire services	1 606 823
Provision of security services	395 187
Facilitation services for EPWP contracts	210 849
Provision of chemicals for water treatment	390 982
Provision of chemicals for water treatment	203 715
Facilitation services for EPWP contracts	212 554
Water tanker services - drought relief	2 456 699
IDP roadshows	270 000
Training for officials at Wits business school - MFMP	237 120
Extension of the provision of plant hire services	1 554 615
Provision of security services	395 187
Salga games - accommodation	255 000
Provision of chemicals for water treatment	272 500
Delivery of specialised pump equipment	414 763
Water tanker services - drought relief	1 146 170
Facilitation services for EPWP contracts	210 976
Deslugging of waste water treatment plants	229 830
Provision of equipment for LED projects	455 000
Facilitation services for EPWP contracts	212 093
Procurement of leadership vehicle	999 355
Procurement of leadership vehicle	1 148 000
Extension of the provision of plant hire services	1 573 158
Salga games - accommodation	265 640
Salga games - accommodation	228 000
Provision of security services	395 187
Facilitation services for EPWP contracts	211 926
Provision of chemicals for water treatment	261 200
Provision of chemicals for water treatment	302 376
Provision of chemicals for water treatment	535 666
Water tanker services - drought relief	4 080 308
	69 524 774
Various deviations less than R 200 000 aggregated	12 392 012
Total	**81 916 786**

36. Awards to close family members of persons in the service of the state

Paragraph 45 of the Municipal Finance Management Act, 2003(Act no. 56 of 2003); Municipal Supply Chain Management Regulations states that the particulars of any award more than R 2 000 made to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve(12) months must be disclosed as a note in the financial statements.

The details are listed below for the 12 months ended 30 June 2017:

Name of person	T Jordan
Relation	Spouse
Capacity	Deputy Manager: Development Administration - City of Umhlathuze
Service Provider	Audio Computer World
Number of transactions	133
Total Amount	R2 081 738

Name of person	R Pillay
Relation	Spouse
Capacity	Educator - Department of Education
Service Provider	KDM Sports cc
Number of transactions	4
Total Amount	R70 331

Name of person	N. Reddy
Relation	Spouse
Capacity	Prosecutor - NPA Verulam Court
Service Provider	Fana Manufacturing cc
Number of transactions	46
Total Amount	R1 355 729

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37. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year membership fee	2,033,150	1,696,882
Amount paid - current year	(2,033,150)	(1,696,882)
	-	-

Audit fees

Current year fee	2,338,424	2,471,746
Amount paid - current year	(2,338,424)	(2,471,746)
	-	-

PAYE and UIF

Current year subscription / fee	26,552,627	24,585,822
Amount paid - current year	(26,552,627)	(24,585,822)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	23,502,900	20,759,404
Amount paid - current year	(23,502,900)	(20,759,404)
	-	-

VAT

VAT receivable	**47,342,547**	**70,443,855**

37. Additional disclosure in terms of Municipal Finance Management Act (continued)

2016/2017

All VAT 201 returns have been submitted by the due date throughout the year. The VAT 201 returns for the months of March 2017 to June 2017 have not yet been settled as at 30 June 2017.

In the financial year the municipality had engaged SARS with respect to the following matter:

a)The April 2017 VAT 201 submission was disputed by SARS on the basis that input VAT was claimed in the incorrect period. The municipality has lodged an ADR1 application disputing the grounds as all input VAT claimed relates to April 2017.

2015/2016

Furthermore in the previous financial years the municipality had engaged SARS with respect to the following matters:

b)An ADR1 application was lodged disputing penalties imposed by SARS in respect to their derivation of certain transactions that occurred as a result of timing differences. The objection was lodged to contest the penalty and SARS has considered our application favourable and the penalty was reversed in August 2015.

c)In 2013/2014 the municipality assisted by Provincial Treasury embarked on a review of VAT transactions inclusive of apportionment VAT calculations which have been applied. The review encompassed an analysis of the past five financial years. At the compilation of the financial statements the review was complete, an input vat amount of R14 411 741 was included in the January 2015 VAT 201 return and SARS has transferred the full amount to the Municipality on 7 July 2015.

Councillors arrear consumer accounts

At the reporting date no Councillor's had arrear accounts outstanding for more than 90 days.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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38. Contingent liabilities

A - Legal matters - Future legal fees and other		
1. Ex-employee 1 - legal action pending	600,000	600,000
2. Consulting Engineers 1 - legal matter pending	200,000	140,000
3. Contractor 1 - legal matter pending	150,000	100,000
4. Service provider 1 - legal action pending	40,000	40,000
5. Service provider 2 - legal action finalised	-	50,000
6. Employees 2 & 3 - legal matter finalised	-	90,000
7. Employee 4 - legal matter finalised	-	80,000
8. Employee 8 - legal matter finalised	-	150,000
9. Employee 9 - legal matter finalised	-	150,000
10. Employee 10 - legal matter pending	-	150,000
11. Service provider 3 - legal action pending	65,584	-
	1,055,584	1,550,000

1. Ex-employee 1 - legal action pending

The municipality has taken legal action against an ex-employee who made an illegal investment. The matter is being dealt with by the high court. The appointed legal team has commenced with pre-trial preparations with the appointed advocate. New trial dates are pending.

2. Consulting Engineers 1 - legal matter pending

This matter refers to a dispute with a consulting engineering firm and relates to the consultant increasing the scope of work of a project without obtaining prior approval from the municipality. The matter is a high court claim and the matter is ready for trial and on the trial awaiting list.

3. Contractor 1 - legal matter pending

The municipality has taken legal action against a contractor for non performance and relates to the claim referred to in point 2 above. The matter is with the high court, however it may not come before the court as it is our legal teams view that the Consultant is liable for all costs.

4. Service provider 1 - legal action pending

This is a high court claim in which an order of re-payment was obtained against the service provider.

5. Service provider 2 - legal action finalised

This was a magistrate's claim wherein a service provider has claimed against the municipality for damages to property. The matter was defended by the municipality and the magistrate concluded that litigation in court be suspended pending an attempt by both parties to resolve the dispute outside of court. The matter has been resolved through a settlement agreement by both parties.

38. Contingent liabilities (continued)

6. Employees 2 & 3 - legal matter finalised

This matter refers to an application for a review of an arbitration award made in favour of the municipality. The application for review has been finalised by the court and the Judge has given his ruling which was in the favour of the municipality. SAMWU on behalf of its members had referred the matter for review. The review argument has been finalised. The Judge's ruling has been issued in favour of the municipality and a cost order was issued against the employees in favour of the municipality.

7. Employee 4 - legal matter finalised

This matter refers to a labour dispute that an employee lodged with the labour court. The matter was opposed by Council and a ruling was made in favour of Council. No cost orders have been made.

8. Employee 8 - legal matter finalised

This matter refers to an application for review of an arbitration award issued in favour of the municipality against the employee. The matter was opposed by the municipality and relevant papers lodged with the labour court. In this matter the ruling was in favour of the municipality. No cost orders have been made.

9. Employee 9 - legal matter finalised

This matter refers to an application for review of an arbitration award issued in favour of the municipality against the employee. The matter was opposed by the municipality and relevant papers lodged with the labour court. In this matter the ruling was in favour of the municipality.

10. Employee 10 - legal matter pending

This matter refers to an application for the review of the findings of the Chairperson during the internal disciplinary processes. The matter is set for review in the labour court and relevant papers have been lodged with the said court and as such awaiting the registrar to allocate a hearing date. Councils attorneys are confident that the prospects of success are good.

11. Service provider 3 - legal action pending

The matter refers to a civil litigation suite based on a repudiation of a contract to supply certain services to the municipality. The service provider has instituted action against King Cetshwayo District Municipality at Durban High Court for R11m claim. The matter is being defended and an Exception to plaintiff's particulars of claim has been raised. The matter has been set down for hearing on 13 February 2018 for argument on the exception. The plaintiff has requested an indulgence to amend its particulars of claim.

The contingent liabilities with associated estimated legal fees of R1 055 584 mentioned above is generally costs associated with the litigation process and any resultant claims cannot be quantified.

38. Contingent liabilities (continued)

B - Potential impact of drought

The drought which prevailed during the course of the period, as reported herein, has resulted in significant declines in dam and reservoir levels. The resultant effect of the harsh drought was the implementation of scheduled water rationing and pressure reductions. The Municipality has taken note of reports from consumers alleging that individual meters are recording consumption's greater than what they estimated to have consumed, and as such further alleged that the intermittent water supplies are causing meter inaccuracies. The Municipality had sourced the services of a specialist in the field of water reticulation and management, and an investigation was conducted so as to ascertain whether the drought and the water conservatory strategies of the Municipality could have contributed to some water meters recording inaccurate readings. The process was duly completed and the results as per the external specialist report indicated that the effects of the water rationing if any, was minimal and further more the process of accurately determining the exact impact per meter could not be ascertained.

C - Dispute with the department of water and sanitation (DWS)

A dispute has arisen between the municipality and the DWS with regard to charges which have been levied by the Department against the Municipality pertaining to raw water abstraction.
The dispute has arisen due to the Department charging the Municipality for water abstracted from the abstraction points under the control of the Municipality, when no water was available due to the ongoing drought in the region. The Municipality believes that it should not be charged for water that could not be delivered due to the drought. Emanating from numerous meetings with DWS, the Department has offered a potential reduction of 50% of the charges subject to the municipality lodging a dispute claim and the subsequent approval of the claim by the Department.

In light of the above, an accrual has been made for 50% of the claims that the municipality will be making payment on and a contingent liability for the remaining 50% recognised.

The table below outlines the contingent liability.

Total raised by DWS	R 31 816 347
Less: Accrued invoices not under dispute	(R 2 995 720)
Less: Contingent liability - Pre 2012 invoices to be credited by DWS as per motivational correspondence from Provincial Treasury	(R 6 904 563)
	R 21 916 063
Contingent liability	(R 10 958 032)
Accrued expenses	R 10 958 032

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39. Related parties

Relationships
Municipal entities

The uThungulu Financing Partnership
uThungulu House Development Trust
Uthungulu Fresh Produce Market

Related party balances		
Investments in municipal entities		
The uThungulu Financing Partnership	5,478,224	11,684,588
uThungulu House Development Trust	650,169	2,714,518
Uthungulu Fresh Produce Market	1,000	1,000
Income received from related parties		
The uThungulu Financing Partnership	1,597,578	2,404,255
uThungulu House Development Trust	995,651	1,757,694
Balances outstanding from related parties		
The uThungulu Financing Partnership	5,345,363	13,667,062
% Interest in municipal entities		
The uThungulu Financing Partnership	99	99
uThungulu House Development Trust	100	100
Uthungulu Fresh Produce Market	100	100
Grants and donations paid		
Uthungulu Fresh Produce Market	5,010,854	22,546,719
uMhlathuze municipality	5,624,601	-
Provincial grant transferred - COGTA		
Uthungulu Fresh Produce Market	-	5,263,655
Related party transactions		
Sub-lease payments		
The uThungulu Financing Partnership	2,542,241	4,125,362

39. Related parties (continued)

Municipal Entities

The uThungulu Financing Partnership is a partnership between King Cetshwayo District Municipality, NIB9810 trust and Nedcor. King Cetshwayo District Municipality as at 30 April 2008 holds 99% and Nedcor and NIB9810 holds the balance of 1%. The uThungulu Financing Partnership was formed to facilitate the purchase of uThungulu House in order to provide offices for King Cetshwayo District Municipality. In order to finance the purchase of uThungulu House, the partnership entered into a loan agreement with Nedcor. In terms of the sub-lease agreement, King Cetshwayo District Municipality is obliged to make bi-annual sub payments to the partnership to reimburse uThungulu Financing Partnership for loan repayments made to Nedcor. The loan is payable over a 20 year period (starting in 1998 and ending in 2017).

uThungulu House Development Trust leases immovable property to the uThungulu Financing Partnership, in terms of a financing lease. The original lease period expires on 31 October 2017.

The Council embarked on the establishment of an entity known as the uThungulu Fresh Produce Market, which was incorporated on the 23 June 2015 and commenced activities from the 1st of July 2015 (Previously dormant).

The above mentioned entities are incorporated in South Africa.

40. Prior period adjustments

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice and the aggregate effect of the prior year adjustments in the annual financial statements for the period ended 30 June 2017 is as follows:

Adjustments to investments and property, plant and equipment

In the current financial year the municipality became aware of shares that had been allocated to the municipality by Sanlam Limited as a result of a demutualisation process undertaken by Sanlam Limited in 1998. National Treasury through correspondence notified municipalities that Sanlam Limited issued a notice for untraceable shareholders in 2016/2017. In this regard the municipality was issued 1136 shares with accumulated dividends amounting to R20 875, which was received by the municipality on 26 May 2017 and accounted for in 2016/2017 due to the practicability thereof. The investment has been accounted for at fair value at each practicable reporting date, being 01 July 2015 and 30 June 2016.

In the current financial year the municipality became aware of various small schemes that had to be capitalised as well as accounting for depreciation pertaining to fully depreciated assets still in use.

Statement of Financial Position

Effect on non current assets - Investment in financial asset shares

Previously reported 2015/2016	0
Adjustment to bring in investment	75 362
Fair value adjustment	(6 793)
Restated 2015/2016	68 569

Effect on non current assets - Property, plant and equipment

Previously reported 2015/2016	1 850 578 156
Adjustment to deprecation	(720 908)
Adjustment to depreciation written back on fully depreciated assets still in use	583 739
Restated 2015/2016	1 850 440 987

Statement of Financial Performance

Effect on depreciation for the year ended 30 June 2016

Previously reported	50 756 076
Adjustment to depreciation	413 850
Adjustment to depreciation written back on fully depreciated assets still in use	408 792
Restated	51 578 718

Effect on fair value for the year ended 30 June 2016

Previously reported	0
Adjustment	(6 793)
Restated	(6 793)

Figures in Rand

40. Prior period adjustments (continued)

Effect on surplus for the year ended 30 June 2016

Previously reported	338 792 282
Adjustment fair value	(6 793)
Adjustment depreciation	(413 851)
Adjustment to depreciation written back on fully depreciated assets still in use	(408 791)
Restated	337 962 847

Statement of Changes in Net Assets

Effect on accumulated surplus

Previously reported balance as at 1 July 2015	1 733 645 614
Adjustment to investment in shares	75 362
Adjustment to previous years depreciation	(307 058)
Adjustment to depreciation pertaining to fully depreciated assets	992 530
Restated balance as at 1 July 2015	1 734 406 448
Previously reported balance as at 1 July 2016	2 072 437 897
Adjustment to investment and fair value of shares	68 569
Adjustment to depreciation	(720 908)
Adjustment to depreciation pertaining to fully depreciated assets still in use	583 739
Restated balance as at 1 July 2016	2 072 369 305

Classification of Assets - Effect on Note 8 - Property, plant and equipment

Opening Balance 1 July 2015	
Previously reported - Infrastructure under construction	625 474 690
Adjustment	(22 262 373)
Restated	603 212 317
Previously reported - Infrastructure	815 732 210
Adjustment to cost	22 262 373
Adjustment to accumulated depreciation	(307 058)
Adjustment to accumulated depreciation on fully depreciated assets still in use	92 194
Restated	837 779 719
Previously reported - Other Assets	15 676 469
Adjustment to accumulated depreciation on fully depreciated assets still in use	900 336
Restated	16 576 805
Transfers 2015/2016	
Previously reported - Infrastructure under construction	(240 149 354)
Adjustment	(5 669 587)
Restated	(245 818 941)
Previously reported - Infrastructure	240 974 527
Adjustment	5 669 587
Restated	246 644 114
Depreciation on infrastructure 2015/2016	
Previously reported	44 315 481
Adjustment	413 850
Adjustment	50 617
Restated	44 779 948

Figures in Rand

40. Prior period adjustments (continued)

Depreciation on other assets 2015/2016	
Previously reported	3 826 476
Adjustment	358 174
Restated	4 184 650
Carrying value infrastructure under construction 2015/2016	
Previously reported	759 230 386
Adjustment to opening balance and transfers	(27 931 960)
Restated	731 298 426
Carrying value infrastructure 2015/2016	
Previously reported	1 013 358 158
Adjustment to opening balance, transfers and depreciation	27 252 629
Restated	1 040 610 787
Carrying value other assets 2015/2016	
Previously reported	13 022 443
Adjustment to opening balance and depreciation	542 162
Restated	13 564 605

41. Budget and Actual amount variances

Variances greater than 10 % with a value not less than R500 000 as referenced on The Statement of Comparison of Budget and Actual amounts, as reflected on page 9 to page 11 are set out below:

Statement of financial performance

41.1 Interest received

The variance between budget and actual amounts are attributable to the prudent monitoring of available funds which could be invested together with the average interest rate increasing in the financial year under review.

41.2 Other income

The variance between the budget and actual amounts are attributable to the elimination of transactions for the distribution of income for the municipal entities,which is only determined at year end.

41.3 Remuneration of councillors

The variance between the budget and actual amounts are attributable to the 2016 Local Government Elections, wherein Exco members were only paid full time allowances for these positions from 23 November 2016.

41.4 Depreciation, amortisation and impairments

The variance between budget and actual amounts are attributable to the municipality budgeting for the write down of obsolete water meters while the expense is shown below the operating surplus line and the municipality expecting greater depreciation as projects are completed.

41.5 Finance costs

The variance between the budget and actual amounts are attributable to an elimination on consolidation of the transaction pertaining to the finance lease obligation to the Uthungulu Financing Partnership.

41.6 General expenses

The variance is attributable to operational efficiencies on the sub votes and furthermore certain projects had not been completed in the year under review while others had not commenced due the finalisation of processes within the departments.

Statement of financial position

41.7 Inventories

The variance is attributable to the write down of obsolete conventional water meters, as the municipality have embarked on a strategy to install smart metering systems, to promote revenue enhancement.

41.8 Receivables from exchange transactions - VAT

The final budget for consumer debtors of R22 970 610 is exclusive of vat receivable, as the variance is attributable vat due.

41.9 Receivables from non exchange transactions

The variance is mainly attributable to the debtors raised for the Department of Water and Sanitation and Municipal Infrastructure grant, for water project expenditure incurred in the year under review as a result of timing differences.

41. Budget and Actual amount variances (continued)

41.10 Cash and cash equivalents

The municipality budgeted to have a bank account balance of R29 350 000 and an investment holding of R280 000 000, however as a result of the municipality not fully spending the grant funding and surplus cash available, the cash book and investment holding as at 30 June 2017 amounted to R198 353 652 and R305 000 000 respectively. Furthermore the variance is as a result of cash backing of provisions, the vat refunds received in 2016/2017 which is budgeted to be spent in 2017/2018.

41.11 Property, plant, equipment, intangibles and heritage assets

The variance is mainly attributable to the net carrying values in the budget not being updated with the audited outcomes and therefore increasing the estimated net carrying value for the year under review. Furthermore the budget includes vat on capital additions while the carrying values in the asset register are exclusive of vat.

41.12 Payables from exchange transactions

The variance is attributable to an increase in spend on capital project towards the latter part of the year, related accruals and the subsequent increase in retentions held.

41.13 Defined employee benefit obligations - current and non current

The variance is attributable to assumed variables and demographical profiles of membership which actuarial valuations are based on, and these estimates are only calculated at year end.

41.14 Provisions

The municipality budgeted for performance bonuses for all five section 56 positions, however the provision is calculated on only three section 56 positions, as two were vacant in the year under review.

41.15 Unspent conditional grants and receipts

The municipality budgeted on fully expending grant allocations received for the year, however due to unforeseen circumstances an amount of R16 960 254 was not spent.

Cash flow statement

41.16 Receipts from consumers and other

The variance between the budget and actual amounts are attributable to the elimination of transactions for the distribution of income for the municipal entities and the movement in receivables from exchange and non exchange transactions.

41.17 Payment for property, plant, equipment, intangibles and heritage assets

The variance is attributable to unspent capital budgets relating to multi year projects not yet completed, furthermore the budget includes VAT on grants and accruals.

41.18 Movement in consumer deposits

The movement in consumer deposits budget is a requirement on the National Treasury budget template, however the actual movement has been accounted for in the net cash flows from operating activities.

Figures in Rand	2017	2016

42. Unauthorised, Fruitless & Wasteful and Irregular expenditure

Non Cash Donation of Building	5,506,354	5,506,354
Adjustment budget approval by Council	(5,506,354)	-
	-	**5,506,354**

The amount of R5 506 354 as disclosed above is attributable to a non cash donation of assets to the municipal entity, Uthungulu Fresh Produce Market. The municipality received a grant from COGTA in the previous financial years for the Municipal Entity. The budget and related expenditure for these asset transactions were incurred and approved in the 2014/2015 financial year.

In the 2015/2016 financial year, the transfer of the building was effected after an approval from Council, resolution UDMC: 2822/2016, dated 24 February 2016; and the non-cash book entry (Transfer/disposal from the asset register) was recorded as a donation in the Statement of Financial Performance. The non-cash donation was not budgeted for in the 2015/2016 financial year which resulted in the budget being exceeded by R5 506 354.

An adjustment budget to remedy the above was approved in an adjustment budget by Council on the 29 June 2017 KCDM:611/2017 as per Section 32(2)(a)(i) of the MFMA.

43. Distribution losses

The Technical Department established a unit responsible for monitoring and ensuring that appropriate measures are developed to reduce water distribution losses. A number of programs have been implemented to reduce losses such as smart metering, pressure reduction, active leak detection and pressure optimisation. In the urban areas water losses are contained within the acceptable norms of the Department of Water and Sanitation and potential revenue losses thereby minimized. Losses are attributable primarily through reticulation systems, taps, cisterns and illegal connections.

The department of Water and Sanitation considers any losses below that of 25 % as an acceptable norm. The calculated loss of 20% is therefore considered acceptable.

44. Risk management

Capital risk management

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to provide returns and benefits for all stakeholders, while delivering sustainable services and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists of debt, which includes the long-term liabilities as disclosed in note 13, cash and cash equivalents disclosed in note 7, and equity as disclosed in the statement of financial position.

Figures in Rand		2017	2016

44. Risk management (continued)

Gearing ratios

The gearing ratio as at June 2017 and June 2016 restated respectively were as follows:

Total borrowings			
Long-term liabilities	13	55,067,152	68,056,140
Less: Cash and cash equivalents	7	503,357,452	422,557,325
Net cash		(448,290,300)	(354,501,185)
Total equity		2,369,337,018	2,072,369,305
Total capital		**1,921,046,718**	**1,717,868,120**
		2.87%	3.96%

The comparative figure for total equity for 2015/2016 has been restated by an amount of R68 592 to R2 072 369 305 from R2 072 437 897. Refer to note 40.

Financial risk management

Financial Risk Management Objectives

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. The municipality's financial services function monitors and manages the financial risks relating to the operation of the municipality. These risks include credit risk and liquidity risk.

Liquidity risk

Liquidity risk refers to the ability of an entity to meet its obligations associated with financial liabilities.

The municipality's liquidity risk pertains to whether funds are available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit obligations.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored. The liquidity ratio is outlined below:

Current Assets	621,509,424	591,360,901
Current Liabilities	270,858,008	237,428,242
Liquidity Ratio	2,29:1	2,49:1

Interest rate risk

Figures in Rand	2017	2016

44. Risk management (continued)

The municipality limits its exposure to interest rate fluctuations by only dealing with well-established institutions and opting for fixed interest rates rather than variable rates.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.
Debtors comprise of mainly water and sanitation users, dispersed across different industries and geographical areas. Ongoing evaluations are performed on the financial condition of these debtors and have been presented in these financial statements net of a provision for impairment. In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", which ever procedure is applicable in terms of Councils credit control and debt collection policy.

Financial assets exposed to credit risk as at year end were as follows:

Financial instrument		
Investments	305,000,000	340,000,000
Cash and cash equivalents	198,357,452	82,557,325
Receivables from exchange and non exchange transaction	112,378,064	159,877,047

45. Re-determination of boundaries

Re-determination of boundaries in terms of Section 21 of the Local Government: Municipal Demarcation Act, 1998 (Act No. 27 of 1998) - Gazette No. 1594 dated 28 January 2016 and published notice No. 152 of 2016.

In terms of the re-determination of boundaries, Ntambanana Local Municipality has been incorporated into Umfolozi Local Municipality, uMhlathuze Local Municipality and Mthonjaneni Local Municipality.

The District is the Water Service Authority for the entire District with exception of KZ 282 - uMhlathuze Local Municipality and therefore both water infrastructure assets and debtors for the affected wards(wards 5, 6, 7 and 8) have been transferred to KZ 282. The effective date of the transfer is at the date of the declaration of results by the Electoral Commission.

a) The water infrastructure assets affected by the above event amounts to R8 757 243 and R5 624 601 being the cost price and carrying value as at 10 August 2016 respectively. Refer to note 8.

b) A debtor of R1 212 559 has been raised to accommodate both the debtors transferred for consumer debtors and service related expenditure incurred on their behalf. Refer to note 5.

c) A creditor of R37 561 has been raised for debtor payments received in advance. Refer to note 14.

46. Municipal name change

Re naming of the District Municipality

In terms of Section 12 of the Local Government: Municipal Structures Act,1998: Repeal and Replacement of establishment notice for the King Cetshwayo District Municipality (DC 28), the District municipality has changed its name from Uthungulu District Municipality to King Cetshwayo District Municipality effective from 21 July 2016.

47. Going concern

We draw attention to the fact that at 30 June 2017, the municipality had accumulated surplus of R 2,369,337,018 and that the municipality's total assets exceeded its total liabilities by R 2,369,337,018.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business, dependant on the receiving of equitable share allocations.

48. Events after the reporting date

At the date of submission of the annual financial statements there were no known adjusting events.

Appendix A
June 2017

Schedule of external loans as at 30 June 2016

	Redeemable	Balance at 30 June 2016	Received during the period	Redeemed written off during the period	Balance at 30 June 2017	Carrying Value of Property, Plant & Equip	Other Costs in accordance with the MFMA
		Rand	Rand	Rand	Rand	Rand	Rand
Lease liability							
Leased property @ 23,8%	17/10/2017	19,071,473	-	5,404,412	13,667,061	-	-
		19,071,473	**-**	**5,404,412**	**13,667,061**	**-**	**-**
Annuity loans							
INCA @ 11.95%	30/06/2023	22,070,918	-	1,769,200	20,301,718	-	-
ABSA @ 12.60 %	30/06/2024	36,442,488	-	2,355,127	34,087,361	-	-
		58,513,406	**-**	**4,124,327**	**54,389,079**	**-**	**-**
Government loans							
Total external loans							
Lease liability		19,071,473	-	5,404,412	13,667,061	-	-
Annuity loans		58,513,406	-	4,124,327	54,389,079	-	-
		77,584,879	**-**	**9,528,739**	**68,056,140**	**-**	**-**

Appendix B

June 2017

Analysis of property, plant and equipment as at 30 June 2012

Cost/Revaluation — Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Landfill Sites (Separate for AFS pursoses)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure														
Roads, Pavements & Bridges	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Storm water	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Generation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transmission & Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic, WIFI infrastructur)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets														
Parks & gardens	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sportsfields and stadium	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community halls	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreational facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Social rental housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire, safety & emergency	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Appendix B

June 2017

Analysis of property, plant and equipment as at 30 June 2012

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles														
Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets														
General vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Plant & equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total property plant and equipment														
Land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Appendix B

June 2017

Analysis of property, plant and equipment as at 30 June 2012

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Agricultural/Biological assets														
Agricultural	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets														
Computers - software & programming	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment properties														
Investment property	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total														
Land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Appendix C

June 2017

Segmental analysis of property, plant and equipment as at 30 June 2010

	Cost/Revaluation							Accumulated Depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
Municipality														
Executive & Council/Mayor and Council	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Finance & Admin/Finance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Planning and Development/Economic Development/Plan	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health/Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Comm. & Social/Libraries and archives	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public Safety/Police	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sport and Recreation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Environmental Protection/Pollution Control	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Water Management/Sewerage	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Road Transport/Roads	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water/Water Distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Electricity /Electricity Distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Budget and Treasury Office	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Municipal Owned Entities														
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total														
Municipality	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Municipal Owned Entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Appendix C

June 2017

Segmental analysis of property, plant and equipment as at 30 June 2010

Cost/Revaluation							Accumulated Depreciation						
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-

Appendix D

June 2017

Segmental Statement of Financial Performance for the year ended

2014/2015				2015/2016		
Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
			Municipality			
-	27,646,928	(27,646,928)	Executive & Council/Mayor and Council	-	37,184,490	(37,184,490)
498,335,773	41,740,153	456,595,620	Finance & Admin/Finance	747,821,282	37,403,887	710,417,395
-	27,715,762	(27,715,762)	Planning and Development/Economic Development/Plan	-	30,704,836	(30,704,836)
-	49,584,893	(49,584,893)	Health/Clinics	-	48,285,986	(48,285,986)
270,487	17,312,247	(17,041,760)	Comm. & Social/Libraries and archives	269,724	24,231,171	(23,961,447)
-	-	-	Housing	-	-	-
-	5,429,363	(5,429,363)	Public Safety/Police	-	5,329,191	(5,329,191)
-	-	-	Sport and Recreation	-	-	-
18,152,220	12,996,044	5,156,176	Environmental Protection/Pollution Control	18,380,381	15,685,206	2,695,175
63,472,721	65,097,489	(1,624,768)	Waste Water Management/Sewerage	68,892,103	64,541,794	4,350,309
13,523,837	38,491,806	(24,967,969)	Road Transport/Roads	16,913,003	33,922,847	(17,009,844)
211,093,304	347,702,201	(136,608,897)	Water/Water Distribution	209,765,434	361,327,908	(151,562,474)
-	-	-	Electricity /Electricity Distribution	-	-	-
-	-	-		-	-	-
			Budget and Treasury Office			
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
804,848,342	**633,716,886**	**171,131,456**		**1,062,041,927**	**658,617,316**	**403,424,611**
			Municipal Owned Entities			
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	**-**	**-**		**-**	**-**	**-**
			Other charges			
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	**-**	**-**		**-**	**-**	**-**
804,848,342	633,716,886	171,131,456	Municipality	1,062,041,927	658,617,316	403,424,611
-	-	-	Municipal Owned Entities	-	-	-
-	-	-	Other charges	-	-	-
-	-	-		-	-	-

Appendix D

June 2017

Segmental Statement of Financial Performance for the year ended

2014/2015				2015/2016		
Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand	Rand	Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
804,848,342	**633,716,886**	**171,131,456**	**Total**	**1,062,041,927**	**658,617,316**	**403,424,611**

Appendix E(1)
June 2017

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2010

	Current year 2016 Act. Bal. Rand	Current year 2016 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Sale of goods	-	-	-	-	(Explanations to be recorded)
Sale of goods in agricultural activities	-	-	-	-	
Rendering of services	-	-	-	-	
Rendering of services in agricultural activities	-	-	-	-	
Property rates	-	-	-	-	
Service charges	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
Sales of housing	-	-	-	-	
Construction contracts	-	-	-	-	
Royalty income	-	-	-	-	
Rental of facilities and equipment	-	-	-	-	
Interest received (trading)	-	-	-	-	
Dividends received (trading)	-	-	-	-	
Agency services	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
Licences and permits	-	-	-	-	
	-	-	-	-	
Municipal Revenue UD1	-	-	-	-	
Municipal Revenue UD2	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
Miscellaneous other revenue	-	-	-	-	
Administration and management fees received	-	-	-	-	
Fees earned	-	-	-	-	
Commissions received	-	-	-	-	
Royalties received	-	-	-	-	
Rental income	-	-	-	-	
Discount received	-	-	-	-	
Recoveries	-	-	-	-	
Other income 1	-	-	-	-	
Other income 2	-	-	-	-	
Financial instruments - Fee income	-	-	-	-	
Other income - (rollup)	-	-	-	-	
Other farming income 1	-	-	-	-	
Other farming income 2	-	-	-	-	
Other farming income 3	-	-	-	-	
Other farming income 4	-	-	-	-	
Other farming income	-	-	-	-	
Other income 3	-	-	-	-	
Interest received - investment	-	-	-	-	
Interest received - other	-	-	-	-	
Dividends received	-	-	-	-	
	-	-	-	-	

Appendix E(1)

June 2017

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2010

	Current year 2016 Act. Bal.	Current year 2016 Adjusted budget	Variance		Explanation of Significant Variances greater than 10% versus Budget
Expenses					
Personnel	-	-	-	-	
Manufacturing - Employee costs	-	-	-	-	
Remuneration of councillors	-	-	-	-	
Administration	-	-	-	-	
Transfer payments	-	-	-	-	
Depreciation	-	-	-	-	
Impairment	-	-	-	-	
Amortisation	-	-	-	-	
Impairments	-	-	-	-	
Reversal of impairments	-	-	-	-	
Finance costs	-	-	-	-	
Bad debts written off	-	-	-	-	
Collection costs	-	-	-	-	
Repairs and maintenance - Manufacturing expenses	-	-	-	-	
Repairs and maintenance - General	-	-	-	-	
Repairs and maintenance - General	-	-	-	-	
Bulk purchases	-	-	-	-	
Contracted Services	-	-	-	-	
Transfers and Subsidies	-	-	-	-	
Cost of housing sold	-	-	-	-	
General Expenses	-	-	-	-	
Other (taken out of General expenses)	-	-	-	-	
Other (taken out of General expenses)	-	-	-	-	
Other (taken out of General expenses)	-	-	-	-	
Other (taken out of General expenses)	-	-	-	-	
Other (taken out of General expenses)	-	-	-	-	
	-	-	-	-	
Other revenue and costs					
Gain or loss on disposal of assets and liabilities	-	-	-	-	
Gain or loss on exchange differences	-	-	-	-	
Fair value adjustments	-	-	-	-	
Gains or losses on biological assets and agricultural produce	-	-	-	-	
Income from equity accounted investments	-	-	-	-	
Gain or loss on disposal of non-current assets held for sale or disposal groups	-	-	-	-	

Appendix E(1)

June 2017

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2010

	Current year 2016 Act. Bal.	Current year 2016 Adjusted budget	Variance		Explanation of Significant Variances greater than 10% versus Budget
Taxation	-	-	-	-	
Discontinued operations	-	-	-	-	
	-	-	-	-	
Net surplus/ (deficit) for the year	-	-	-	-	

Appendix E(2)
June 2017

Budget Analysis of Capital Expenditure as at 30 June 2010

	Additions Rand	Revised Budget Rand	Variance Rand	Variance %	Explanation of significant variances from budget
Municipality					
Executive & Council/Mayor and Council	-	-	-	-	
Finance & Admin/Finance	-	-	-	-	
Planning and Development/Economic Development/Plan	-	-	-	-	
Health/Clinics	-	-	-	-	
Comm. & Social/Libraries and archives	-	-	-	-	
Housing	-	-	-	-	
Public Safety/Police	-	-	-	-	
Sport and Recreation	-	-	-	-	
Environmental Protection/Pollution Control	-	-	-	-	
Waste Water Management/Sewerage	-	-	-	-	
Road Transport/Roads	-	-	-	-	
Water/Water Distribution	-	-	-	-	
Electricity /Electricity Distribution	-	-	-	-	
	-	-	-	-	
Budget and Treasury Office					
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
Municipal Owned Entities					
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
Other charges					
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	

Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003
June 2017

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure			
MSIG	COGTA	940,000	-	-	-	-	3,502	362,713	(4,475)	578,260
Fresh Produce Market	COGTA	-	-	-	-	-	-	-	5,263,654	-
Municipal Governance Share Deployment	COGTA	-	-	-	-	-	-	-	-	150,761
Growth and Development Summit	COGTA	-	-	-	-	-	-	-	-	21,670
Intergovernmental Relations	COGTA	-	-	-	-	-	-	-	-	187
		-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-
Rural Transport Services & Infrastructure	DOT	2,321,000	-	-	-	-	195,712	507,520	623,278	994,490
		-	-	-	-	-	-	-	-	-
Regional Bulk Infrastructure	DWS	52,007,975	95,172,952	64,435,374	-	-	24,431,380	60,334,124	57,373,288	64,056,109
Drought Relief	DWS	-	7,727,942	3,138,512	-	-	-	-	-	10,866,453
Institutional Support	DWS	-	-	-	-	-	-	-	-	8,100
Municipal Water Infrastructure	DWS	22,030,000	44,058,000	22,030,000	-	-	73,366	9,305,916	29,631,191	45,152,991
ACIP	DWS	-	1,526,000	-	-	-	-	-	-	1,526,000
WSOSG Boreholes	DWS	-	-	-	-	-	-	-	-	59,258
Water Services Operating & transfer Subsidy	DWS	-	-	12,000,000	-	-	-	-	-	12,000,000
		-	-	-	-	-	-	-	-	-
Disaster Management Centre	DTLGA	-	-	-	-	-	-	-	-	6,134
Corridor Development	DTLGA	-	-	-	-	-	-	-	-	195,583
Planning Regional Council	DTLGA	-	-	-	-	-	-	-	121,080	9,013
Planning Development Shared Services	DTLGA	-	250,000	-	-	-	-	250,000	-	-

Implementation of Fresh Produce Market	DTLGA	-	-	-	-	-	-	-	-	108,300
Consolidate prior grants	DTLGA	-	-	-	-	-	-	-	-	17,752
		-	-	-	-	-	-	-	-	-
Municipal Infrastructure Grant	MIG	57,000,000	45,000,000	73,330,000	-	-	13,656,603	48,245,814	26,344,295	104,620,838
		-	-	-	-	-	-	-	-	-
Local Governemnt Fiance Grant	NT	1,250,000	-	-	-	-	424,450	280,797	165,106	379,647
Equitable Share	NT	74,782,392	55,096,829	40,140,176	-	-	-	-	-	191,641,259
Levy Replacement Grant	NT	88,239,411	65,011,450	47,363,361	-	-	-	-	-	200,614,222
LG Seta Discretionary Grant	NT	-	-	279,837	162,000	-	-	-	-	441,000
Environmental Health	NT	7,926,197	5,839,721	4,254,463	-	-	-	-	-	18,020,381
		-	-	-	-	-	-	-	-	-
EPWP	PW	2,656,000	1,992,000	1,991,000	-	-	877,582	1,324,065	1,137,393	3,299,960
		-	-	-	-	-	-	-	-	-
Economic Development & Tourism	EDEAT	-	-	-	1,000,000	-	-	-	-	-
		-	-	-	-	-	-	-	-	-
Ithala sponsorship	Ithala Bank	28,250	-	-	-	-	-	-	-	-
Water reticulation	Tronox	-	-	500,000	-	-	-	-	432,312	67,688
School Programmes	Nedbank	-	-	-	-	-	-	-	-	20,000
HIV Awareness	Foskor	-	-	-	-	-	-	-	-	12,468
Youth Programmes	Foskor	-	-	-	-	-	-	-	-	207
LED Projects	EU	-	-	-	9,458	-	-	-	-	9,060
		309,181,225	321,674,894	269,462,723	1,171,458	-	39,662,595	120,610,949	121,087,122	654,877,791

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.

Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2017

	2017/2016												2016/2015		
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue By Source															
Property rates	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Property rates - penalties & collection charges	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Service charges - electricity revenue	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Service charges - water revenue	-	-	-	-		-	38,936,837		38,936,837	DIV/0 %	DIV/0 %				39,620,647
Service charges - sanitation revenue	-	-	-	-		-	6,706,017		6,706,017	DIV/0 %	DIV/0 %				5,794,842
Service charges - refuse revenue	-	-	-	-		-	19,024,070		19,024,070	DIV/0 %	DIV/0 %				17,273,003
Service charges - other	-	-	-	-		-	174,268		174,268	DIV/0 %	DIV/0 %				269,724
Rental of facilities and equipment	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Interest earned - external investments	-	-	-	-		-	47,703,379		47,703,379	DIV/0 %	DIV/0 %				40,631,838
Interest earned - outstanding debtors	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Dividends received	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Fines	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Licences and permits	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Agency services	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Transfers recognised - operational	-	-	-	-		-	522,104,208		522,104,208	DIV/0 %	DIV/0 %				477,905,293
Other revenue	-	-	-	-		-	31,030,294		31,030,294	DIV/0 %	DIV/0 %				32,368,282
Gains on disposal of PPE	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Total Revenue (excluding capital transfers and contributions)	**-**	**-**	**-**	**-**		**-**	**665,679,073**		**665,679,073**	**DIV/0 %**	**DIV/0 %**				**613,863,629**

Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2017

	2017/2016														2016/2015
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure By Type															
Employee related costs	-	-	-	-	-	-	160,313,035	-	160,313,035	DIV/0 %	DIV/0 %	-	-	-	147,248,188
Remuneration of councillors	-	-	-	-	-	-	9,985,553	-	9,985,553	DIV/0 %	DIV/0 %	-	-	-	10,094,525
Debt impairment	-	-	-		-	-	4,006,320	-	4,006,320	DIV/0 %	DIV/0 %	-	-	-	-
Depreciation & asset impairment	-	-	-		-	-	55,949,894	-	55,949,894	DIV/0 %	DIV/0 %	-	-	-	-
Finance charges	-	-	-	-	-	-	9,125,435	-	9,125,435	DIV/0 %	DIV/0 %	-	-	-	16,655,928
Bulk purchases	-	-	-	-	-	-	52,371,532	-	52,371,532	DIV/0 %	DIV/0 %	-	-	-	47,102,304
Other materials	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Contracted services	-	-	-	-	-	-	93,537,802	-	93,537,802	DIV/0 %	DIV/0 %	-	-	-	86,356,510
Transfers and grants	-	-	-	-	-	-	5,000,000	-	5,000,000	DIV/0 %	DIV/0 %	-	-	-	7,563,000
Other expenditure	-	-	-	-	-	-	248,068,515	-	248,068,515	DIV/0 %	DIV/0 %	-	-	-	311,153,648
Loss on disposal of PPE	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Total Expenditure	**-**	**-**	**-**	**-**	**-**	**-**	**638,358,086**	**-**	**638,358,086**	**DIV/0 %**	**DIV/0 %**	**-**	**-**	**-**	**626,174,103**
Surplus/(Deficit)	**-**	**-**	**-**	**-**		**-**	**27,320,987**		**27,320,987**	**DIV/0 %**	**DIV/0 %**				**(12,310,474)**
Transfers recognised - capital	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Contributions recognised - capital	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Contributed assets	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) after capital transfers & contributions	**-**	**-**	**-**	**-**		**-**	**27,320,987**		**27,320,987**	**DIV/0 %**	**DIV/0 %**				**(12,310,474)**
Taxation	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) after taxation	**-**	**-**	**-**	**-**		**-**	**27,320,987**		**27,320,987**	**DIV/0 %**	**DIV/0 %**				**(12,310,474)**
Attributable to minorities	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) attributable to municipality	**-**	**-**	**-**	**-**		**-**	**27,320,987**		**27,320,987**	**DIV/0 %**	**DIV/0 %**				**(12,310,474)**
Share of surplus/ (deficit) of associate	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) for the year	**-**	**-**	**-**	**-**		**-**	**27,320,987**		**27,320,987**	**DIV/0 %**	**DIV/0 %**				**(12,310,474)**